

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.

MAY 1939

INDEX TO VOLUME CXXXIV

BEING FROM JANUARY TO MARCH, 1939, INCLUSIVE

LONDON:

PUBLISHED AT THE ECONOMIST OFFICE,
8 BOUVERIE STREET, FLEET STREET, LONDON, E.C.4

APRIL 1, 1939

INDEX TO THE ECONOMIST

JANUARY TO MARCH 1939

(LA) = LEADING ARTICLE
(N) = TOPIC OF THE WEEK
(L) = LETTER TO EDITOR

(R) = BOOK REVIEW
(BL) = BUSINESS LEADER
(FN) = FINANCIAL NOTE

(IN) = INVESTMENT NOTE
(CN) = COMPANY NOTE
(TN) = COMMODITY OR INDUSTRIAL NOTE

A

Abyssinia
Italian Migration to, 293 (N)
Accidents. See Transport, Road
Actuaries' Investment Index. See INDEX
NUMBERS
Aeronautical and General Instruments, 522 (CN)
AGRICULTURE.
Monthly Trade Supp., 3, 11, 19
Bacon Contracts, 38 (TN)
Marketing Board, 437 (N)
Supplies, 315 (TN)
Barley Subsidy, 465 (TN)
Butter, 264 (TN), Corrigendum, 315 (TN)
Crops. Monthly Trade Supp., Statistics, 8, 16, 24
East Norfolk By-election, 63 (N), 117 (N)
Eggs, 514 (TN)
Fruit Production, Small, 314 (TN)
Grain. Hissenhoven (P. van). "Le Mouvement des Grains dans le Monde," 126 (R)
Meat Prices and Food Council, 525 (TN)
Milk
Prices, 221, 369, 588
Milk Marketing Board, 1933-38, 361 (TN)
Trouble With, 437 (N)
Minister, New, 240 (N)
Oats Subsidy, 465 (TN)
Oxford Farming Conference, 36 (TN)
Prices for Farmers, Fixed, I, 110 (LA), II, 169 (LA), 240 (N)
Wheat
International Advisory Committee, 90 (TN)
Production in 1936-37-1938-39, 636 (TN)
Statistics. Monthly Trade Supp., 8, 16, 24
Air Arm. See Armaments, British, Navy
Air Defence. See Armaments, British, Air
Air Raid Precautions. See Armaments, British, Home Defence
Aircraft Industry
Wagenführ (R.). "Die Flugzeugindustrie der Anderen," 345 (R)
Aland Islands. See Finland and Sweden
Alberta. See Canada
Alexander's Discount Co., Ltd., 36, 102. Meeting, 149
Allen (W. G.) & Sons (Tipton), Ltd., 463
Amalgamated Bruas Rubber Estates, 406
Amalgamated Cotton Mills Trust, 192 (IN)
American Industries Trust, 312
Angas (L. L. B.). See Investment
Anglo-French Exploration Co., Ltd. Meeting, 475
Apex (Trinidad) Oilfields, Ltd. Meeting, 97
Arabs. See Palestine
ARGENTINA
Banks. See Current Statistics, Finance, Weekly
Budget, 124
Crops, 124
Economic Report, 124, 564
Government Loan, 522
Meat. Hanson (S. G.). "Argentine Meat and the British Market," 248 (R)
Statistics. Monthly Trade Supp., 7, 23
Trade. Monthly Trade Supp., Latin America
Trade, Balance of, 124, 564
ARMAMENTS.
British
Air, 240 (N), 390 (N), 433 (LA), 555 (N)
Air Arm. See Naval
Army, 338 (N), 433 (LA), 495 (N)
A.R.P. See Home Defence
Shelters and Steel, 37 (TN), 140 (TN), 241 (N), 291 (N)
Companies' Profits, 499 (N), 620 (BL)
Defence, White Paper on Expenditure, 329 (LA), 334 (N)
Empire, Defence of, 293 (N), 558 (N)
Evacuation, 115 (N)
Camps, 236 (LA), 334 (N), 611 (N)

ARMAMENTS—cont.

British Expeditionary Force, 495 (N), 555 (N)
Food Defence Plans, 636 (TN)
Home Defence, 8 (N), 37 (TN), 59 (LA), 115 (N), 173 (N), 236 (LA), 241 (N), 291 (N), 334 (N), 388 (N), 434 (N), 495 (N), 555 (N)
Regional, 290 (N)
Hore-Belisha (Mr) and, 65 (N)
Industrial Advisory Panel's Report, 291 (N)
National Service, 167 (LA), 241 (N), 334 (N)
Naval, 11 (N), 433 (LA), 610 (N)
Air Arm, 11 (N)
Publicity for, 115 (N)
Road Transport, 119 (N)
Supply, Need for Ministry of, 603 (LA)
Supply Problems of, 388 (N)
Naval, German, 9 (N)
World, 493 (LA), Charts, 538
Army. See Armaments, British
A.R.P. See Armaments, British, Home Defence
Arrol (Sir Wm.) & Co., 649
A-shanti Goldfields Corporation, Ltd., 89, 193 (IN). Meeting, 272
Associated Electrical Industries, 628 (IN)
Associated Portland Cement, 464, 627 (IN)
Assurance. See Insurance
AUSTRALIA
Aircraft Production, 66 (N)
Banking Bill, 299
Banks. Australian Commonwealth Bank, 572 (TN)
Banks. Australian Commonwealth Bank, 572 (TN)
See also Current Statistics, Finance, Weekly
Union Bank of Australia, 89, 255 (FN). Meeting, 271
Defence, 299, 499 (N)
Economic and Political Situation, 554 (LA)
Economic Report, 299, 343
Gold Production (N.S.W.), 226
Health Insurance Act, 499 (N), 554 (LA)
Loan, Government, 299, 343
Statistics. Monthly Trade Supp., 7, 23
Trade. Monthly Trade Supp., British Empire
Trade, Balance of, 343
Trade, Home, 343
AUSTRALIA
Statistics. Monthly Trade Supp., 15
Automatic Telephone and Electric Co., 600, 654
Aviation, Civil, 173 (N)

B

Bacon. See Agriculture
Bah Lias. Rubber Estates, Ltd. Meeting, 369
Baird (Wm.) & Co. and Scottish Iron and Steel Co., 581 (TN)
Baker (J.) and Bessemer, 649
Balance of Payments. See Trade
Balance of Trade. See Countries Concerned
Baldwins, Ltd., 649
Balkan Exchanges, 349 (BL)
Balogh (T.). See Germany, Economic Position, (L)
Bankers Industrial Development Co. See United Steel Cos., Summers
BANKING.
British
Accounts, 30 (IN), 130 (BL)
Chairmen's Speeches, 183 (BL)
Dividends, 30 (IN), 80 (BL), 84 (IN)
Share Prospects, 79 (BL)
Defence Loan and, 399 (FN)
Discount Houses, 31 (IN), 36, 89, 102, 131 (FN), 619 (BL)
Exchange Speculation and Banks, 132 (FN)
Loans, Bank, Against Bonds, 305 (FN)
"Thomson's Dictionary of Banking," 618 (R)
BANKS. See also Countries Concerned
Alexander's Discount Co., 36, 102, 131 (FN). Meeting, 149
Anglo-International Bank, Ltd. Meeting, 411
Anglo-Portuguese Colonial and Overseas Bank, 580

BANKS—cont.

Barclays Bank, Ltd., 36, 102. Meeting, 144
Baring Bros., 140
British Overseas Bank, Ltd., 50
Chartered Bank of India, Australia and China, 50
Clearing Bank Returns, Monthly: Dec., 187 (FN), 226; Jan., 304 (FN), 322; Feb., 510 (FN), 542
Weekly. See Current Statistics, Finance, Weekly
Year's, 27 (FN)
Conversion 4½ per cent., and, 305 (FN)
Clydesdale Bank, Ltd., 36, 196
Courts & Co., 227
District Bank, Ltd., 36, 157. Meeting, 216
Eastern Bank, Ltd. Meeting, 644
England, Bank of. See Current Statistics, Finance, Weekly
(FN), Weekly
Accountancy, New, 510 (FN)
Fiduciary Issue, 76 (BL)
Gold and, 22 (BL), 76 (BL), 510 (FN)
Spain, Recognition of Franco, 453 (FN)
Erlangers, Ltd., 140
Glyn Mills & Co., Ltd., 102, 140
International Settlements, 100, 320
Lloyds Bank, Ltd., 50, 89, 157. Meeting, 267
Martins Bank, Ltd., 36, 102. Meeting, 213
Midland Bank, Ltd., 36, 157. Meeting, 202
Hyde (R.). Obituary, 187 (FN)
National Discount Co., 36, 157, 131 (FN). Meeting, 150
National Provincial Bank, Ltd., 89, 157. Meeting, 206
North of Scotland Bank, 89
Rates, London, Overseas and Dominions. See Current Statistics, Finance, Weekly
Union Bank of Manchester, 196
Union Discount Co., 89, 157, 131 (FN). Meeting, 209
Westminster Bank, Ltd., 89, 157. Meeting, 210
Williams Deacon's Bank Ltd., 36, 157. Meeting, 218
Yorkshire Penny Bank, 140
Bar (Wm.). See France, Financial Policy (L)
Barker (John) & Co., Ltd., 360, 422
Barking Corporation, 463
Barley. See Agriculture
Barnet District Gas and Water Co., 196
Basily (N. de). See Russia
Bauer (P. T.). See France, Financial Policy (L)
Bazaars, C.W.S. and, 38 (TN)
Beans Industries, 227
Beardmore (Wm.) & Co., 600
Beira Railway Co., Ltd., 262. Meeting, 367
BELGIUM
Banks. National Bank. See Current Statistics, Finance, Weekly
Budget, 17, 305 (FN)
Economic Report, 17
Exchange, Foreign, 305 (FN), 399 (FN), 510 (FN)
Government, New, 292 (N), 305 (FN), 335 (N), 399 (FN), 436 (N), 499 (N)
Statistics. Monthly Trade Supp., 15
Trade. Monthly Trade Supp., 4, 20
Trade, Balance of, 17
Trade, Home, 17
Bernal (J. D.). See Science
Bibiani (1927), Ltd., 193 (IN). Meeting, 273
Bilston Gas Light & Coke Co., Ltd., 360
Birkenhead Brewery, 35
Birmingham Railway Carriage, 374
Blackburn Aircraft, 262
Bolover Colliery, 309 (CN)
Bonds, Foreign
Council of Foreign Bondholders' Annual Report, 308 (IN)
Municipal and General Securities Index, 31 (IN), 255 (IN), 457 (IN)
Booth (James) & Co. Ltd., 463, 481
Booth and Shoes. Monthly Trade Supp., 2, 10, 18
Companies' Results, 258 (CN)

Borax Consolidated, Ltd., 312, 374. Meeting, 413
Borders. See Building Societies, Bradford
Third Equitable
Borough Building Society, 196
Bournemouth and Poole Electricity, 481, 630 (CN)
Bovril, Ltd., 312, 374. Meeting, 416
Bradford Dyers' Assoc., Ltd., 374, 422
Bradford Third Equitable Benefit Building Soc. v. Borders. See Building Societies
BRAZIL.
Debt, 556 (N)
Statistics. Monthly Trade Supp., 7, 23
Trade. Monthly Trade Supp., Latin America
U.K. and, 556 (N)
U.S.A. and, 556 (N)
Brazilian Traction, 279
Bressey Report. See Transport, Road, London
Breweries.
Weston Case and, 308 (IN)
Bricks, 24 (BL)
Brighton, Hove and Worthing Gas Co., 89
Bristol: Tout (H.). "The Standard of Living in Bristol," 175 (N)
Britannic Assurance Co., Ltd., 513 (N). Meeting, 532
British Aluminium Co., 600, 628 (IN)
British-American Tobacco, Ltd. Meeting, 95
British Assets Trust, Ltd. Meeting, 474
British Automobile Traction. See Tilling
British Broadcasting Corp., 438 (N)
British Electric Co., Ltd. Meeting, 417
BRITISH EMPIRE.
Monthly Trade Supp., 4, 12, 20
British Commonwealth Relations Conference. "The British Commonwealth and the Future," 430 (LA)
Defence, 293 (N), 558 (N)
Dominions and German Aggression, 610 (N)
Pacific, Defence in, 558 (N)
Statistics. Monthly Trade Supp., 7, 23
British Industrial Corp., 279
British Insulated Cables, 595, 628 (IN)
British Plaster Board, 226
British Portland Cement, 464
British Power and Light Corp., 403 (IN)
British Rola, Ltd., 89, 139
British Ropes, 483, 649
British South Africa Co., 227, 258 (CN)
British Tin Investment Corp., Ltd. Meeting, 151
British Tobacco (Australia), 279
British Vacuum Cleaner & Engineering Co., Ltd., 35. Meeting, 44
Budge (P. E.). See Currency and Bank Notes (L)
BUILDING. See also Housing
Monthly Trade Supp., 2, 10, 18
Bradford Third Equitable Benefit Building Soc. v. Borders, 347 (BL)
Plans, 1929-38, 465 (TN)
Feb., 1938, 635 (TN)
Building Society Bill, 399 (FN)
Building Society Trends, 256 (IN)
BULGARIA.
Banks, National Bank. See Current Statistics, Finance, Weekly
Budget, 442
Economic Report, 442
Exchange, Foreign, 443
Foreign Policy, 293 (N), 442
Bunkers. See Coal
Burdick (E. C.). See U.S.A., Unemployment
Burma.
Ministry, New, 389 (N)
Riots in, 333 (N)
Burma Corp. Ltd., 374. Meeting, 43
Burns (A. E.). See Irish Republican Army, (L)
Burtol Cleaners, 192 (IN)
Butlin's, Ltd., 312. Meeting, 44
Butter Consumption, 264 (TN)
C

CAPITAL. See ISSUES, CAPITAL
Carpathians. See Roumania, Oil
Cartelisation of England, 551 (LA)
Cement, Monopoly in, 313 (TN)
Central Commercial Properties, 196
Central Provinces Manganese Ore, 522
Cerberos Salt, 312
Ceylon Govt. Stock, 634
Champion Gold Reef of India, 422
"Chartered." See British South Africa Co.
Charts. See Statistics, Special
Chemicals, Monthly Trade Supp., 2, 10, 18
CHILE.
Earthquake, Relief Fund, 306 (FN)
Statistics. Monthly Trade Supp., 7, 23
Trade. Monthly Trade Supp., 12
CHINA.
Banks.
Hongkong & Shanghai Banking Corp., 89, 298, 453 (FN). Meeting, 641
Canton, 125
Currency, 187 (FN), 495 (N), 572 (FN)
Customs Revenue, 31 (IN), 134 (IN)
Economic Report, 564
Hongkong.
Economic Report, 123, 298, 564
Macao, 123
Trade, 298
Japan and, 18, 389 (N), 564
Note to Japan, 116 (N)
Hainan, 337 (N)
Shanghai, 436 (N)
U.S.A. and, 10 (N), 18
Wu-Pei-Fu (Marshal), 242 (N)
Shanghai, 124
Statistics. Monthly Trade Supp., 7, 23
Trade. Monthly Trade Supp., Far East
Cinema. See Film Industry
City Deep, 632 (CN)
City of London Electric Lighting, 422
Clearing Accounts, 593
Clearings. See Exchange, Foreign and Banks
Cleave (T. L.). See France, Financial Policy (L)
Clerical, Medical & General Life Assurance Soc., 625 (N). Meeting, 473
Cleveland Petroleum Co., Ltd. Meeting, 97
Clyde Valley Electrical Power Co., 522, 576 (CN)
COAL TRADE. See Industry and Trade, Industrial Reports, Weekly
Monthly Trade Supp., 2, 10, 18
Statistics, 8, 16, 24
Bunkering Trade, 524 (TN)
Fuel Economy, 396 (BL)
German Discussions, Anglo, 90 (TN), 263 (TN)
Hours and Wages, 497 (N)
I.L.O. "World's Coal-Mining Industry," 567 (BL)
Mining and Prices, 567 (BL)
Mining Results (Quarterly), 267 (TN)
Output and Costs. Charts, 267 (TN)
Polish Talks, Anglo, 443 (FN)
Profits in 1938, 465 (TN)
COBALT.
Cocoa Prices, 465 (TN)
Colombia. Monthly Trade Supp., 24 MAY 1939
Colonies. See British Empire and Germany
Commercial Gas Co., 587 (TN)
Commercial History of 1938, Feb. 18
Community Statistics. See Current Statistics, Industry and Trade, 45 G
Commonwealth Mining, 194 (TN)
COMPANIES.
Armament Profits, 499 (N), 620 (BL)
Boots and Shoes, 258 (CN)
Cable Makers' Shares, 302 (BL)
Consolidated Accounts, 401 (IN)
Department Store Shares, London, 184 (BL)
Dividend Announcements. See Current Statistics, Investment, Weekly
Gas, 256 (CN), 515 (IN)
Preference Shareholders, 401 (IN)
Profit and Loss Accounts. See Current Statistics, Investment, Weekly
Registrations in 1938, 307 (IN)
Connor (L. R.). See Statistics
Conservative Party
Opposition in, 8 (N)
Consolidated Mines Selection Co., Ltd., 279, 518 (CN). Meeting, 587
Co-operative Wholesale Soc. & Bazaars, 38 (TN)
Copper. See Industry and Trade, Other Metals, Weekly
Monthly Trade Supp., Statistics, 8, 24
Quota, 408 (TN)
Rhodesian, 193 (TN)
U.S.A., 140 (TN)
Cordoba Central Railway, 86 (IN), 192 (IN)
Cost of Living and Wages, 119 (N), 407 (TN)
COTTON INDUSTRY. See also Countries concerned
Weekly Report. See Industry and Trade
Monthly Trade Supp., 3, 10, 18
Statistics, 8, 16, 24
Cartelisation, 551 (LA)
Dyeing Charges, 524 (TN)
Enabling Bill, 140 (TN), 197 (TN), 313 (TN), 551 (LA)
India, 523 (TN)
Indian Trade Agreement, Anglo, 635 (TN)
Shares, 251 (BL)
Slump in 1938, 361 (TN)
Spinners, American, Price Scheme, 581 (TN)
Yarn Prices, 37 (TN)
Council of Foreign Bondholders. See Bonds, Foreign
County of London Electric Supply, 422, 575 (CN). Meeting, 646
Courage & Co., 481
Court (W. H. B.). See Trade
Courtaulds, Ltd., 279, 355 (IN), 515 (CN), 577 (CN)
Cox & Gate, Ltd., 227
Craven Bros. (Manchester), Ltd., 654
Credit, Future of, 247 (L)
Cripps (Sir S.). See Labour Party

Crops. See Agriculture and Countries concerned
Crosfield (J.) & Sons, 654
Crown Mines, 578 (CN)
Currency and Bank Notes Act, 249 (BL), 304 (FN), 344 (L), 452 (FN), 510 (FN)
Customs Revenue, Charts, 222
CZECHO-SLOVAKIA.
Banks, National Bank. See Current Statistics, Finance, Weekly
Budget, 442
Economic Report, 441
"Foreign Affairs," January, 1939, 126 (R)
Germany and, 172 (N)
Germany and Invasion, 549 (LA)
British Banking Restriction Bill, 623 (FN)
British Reaction to, 601 (LA)
Currency, 571 (FN)
Dominions and, 610 (N)
Exchanges, Foreign, and, 624 (FN)
France, 607 (N)
Gestapo, 609 (N)
Gold and, 624 (FN)
Iron and Steel Industry, 636 (TN)
Labour Party and, 610 (N)
"Protectorate," 609 (N)
Slovakia, 498 (N)
U.S.A. and, 608 (N)
Hungary, 474
Loan, French and British, 241 (N)
Loan, 8 per cent. State, 1922, 279
Political Situation, 338 (N), 441
Refugees, 441
Statistics. Monthly Trade Supp., 15
Trade, Balance of, 442
Trade, Home, 441
Witt (K.). "Wirtschaftskräfte und Wirtschaftspolitik der Tschecho-Slowakei," 75 (R)

D

DANZIG.
Banks, National Bank. See Current Statistics, Finance, Weekly
Davis & Timmins, Ltd. Meeting, 649
Debt, Floating and National. See National Accounts
Decentralisation, 74 (L)
Defence. See Armaments
Defence Loans. See National Accounts
De Havilland Aircraft Co., 50, 262
DENMARK.
Banks, National Bank. See Current Statistics, Finance, Weekly
Economic Report, 297
Germany, Trade with, 298
Joensen (J.). "Denmark's Day of Doom," 566 (R)
Social Democratic Conference, 297
Statistics. Monthly Trade Supp., 15
Trade. Monthly Trade Supp., 4, 12
Dennison (H. S.). See U.S.A., Unemployment
Department Store Shares, London, 184 (BL), 517 (CN)
Dickins & Jones, Ltd., 312
Dickinson (J.) & Co., Ltd., 649
Dictionaries.
"Harrap's Standard French and English Dictionary," 618 (R)
"Thomson's Dictionary of Banking," 618 (R)
Discount Houses. See Banking
Dividend Announcements. See Companies
Dobbs (A. C.). See U.S.A., Anglo-American Comparisons (L)
Dockers' Jubilee, 559 (N)
Dominions. See British Empire
Dorman-Smith (Sir R.). See Agriculture, Minister
Dufay-Chromex, Ltd., 226
Dunlop Rubber Co., 627 (IN)
Durban Roadport Deep, 632 (CN)
Dyeing Companies' Charges Agreement, 524 (TN)

E

Eagle Star Insurance Co., 196
East Geduld, 630 (CN)
East Norfolk. See Elections, Parliamentary By-Elections
Eburite Corrugated Containers, 278
Economies
Hansen (A. H.). "Full Recovery or Stagnation?" 21 (R)
Edmundsons Electricity Corp., Ltd., 312
EDUCATION.
Cost of, 604 (LA)
"Estimates, Board of Education," 604 (LA)
Secondary Education (Spens) Report, 2 (LA)
"Year Book of Education," 604 (LA)
Eggs. See Agriculture
EGYPT.
Banks, National Bank. See Current Statistics, Finance, Weekly
Gort's (Lord) Visit, 174 (N)
EIRE.
Agriculture, 20 (L)
Commission on, 246
Banks' Returns, Quarterly, 305 (FN)
Hibernian Bank, 140

IRE—cont.
Banks, Ireland, Bank of, 140
— Munster and Leinster Bank, 140
— National Bank, 140. Meeting, 205
— Provincial Bank, 140
Economic Report, 246
I.R.A., 117 (N)
Statistics. *Monthly Trade Supp.*, 7, 23
Elections, Parliamentary By, 8 (N)
East Norfolk, 63 (N), 117 (N)
Electrical Distribution of Yorkshire, 629 (CN)
ELECTRICAL INDUSTRY.
Equipment. *Monthly Trade Supp.*, 2, 10, 18
Electricity Commission, 312
Electrolux Corp. (of America), 464
Elliott (S.) & Sons (Reading), Ltd., 406
Empire. See British Empire
Employment. See Unemployment
Enfield Cable, 422, 483
ENGINEERING INDUSTRY.
Monthly Trade Supp., 2, 10, 18
English Electric Co., 309 (CN), 312, 374
English Steel, 620 (CN)
English Velvet and Cord Dyers, 279
Equitable Life Society, 318 (FN)
Participating Co., 318 (FN)
Ericsson Telephones, Ltd., 395
Essex County Stock, 406, 463
Estimates. See National Accounts, Estimates
ESTONIA.
Agriculture, 443
Banks, National Bank. See Current Statistics, Finance, Weekly
Economic Report, 443
Ti. *Monthly Trade Supp.*, 20
EUROPE.
Monthly Trade Supp., Statistics, 15
Central, 118 (N)
Gedye (G. E. R.). "Fallen Bastions," 395
Hitton (G.). "Danubian Destiny," 395 (R)
Little Entente, 292 (N)
Evacuation. See Armaments, British
Evans (D. H.) & Co., 360
Exchange Equalisation Account, 22 (BL), 76 (BL)
EXCHANGE, FOREIGN. See also Countries concerned
(FN), Weekly
Rates. See Current Statistics, Weekly
Balkan States, 349 (BL)
Banks and Speculation, 132 (FN)
Belgium, 305 (FN), 399 (FN), 510 (FN)
Czechoslovakian Crisis and, 624 (FN)
Germany, 186 (FN), 255 (FN), 614
Holland, 186 (FN), 255 (FN), 399 (FN), 502, 510 (FN)
Jugoslavia, 82 (FN)
New Zealand, 19, 66 (N), 350 (FN)
Sterling and Gold, 76 (BL), 181 (L)
— Speculation and, 81 (FN), 132 (FN), 134 (IN)
Stock Exchange and Speculation, 134 (IN)
Exports. See Trade, Overseas
Express Dairy Co., 406
F
Fanti Consolidated Investment Co., Ltd., 36, 106. Meeting, 97
Far East. *Monthly Trade Supp.*, 4, 12, 20
Federation of British Industries. See New Zealand
British Commercial Policy, 173 (N)
Germany, Commercial Agreement with, 382, 607 (N)
Fertilisers. See Nitrogen
Fiduciary Issue, 76 (BL), 249 (BL), 304 (FN)
Film Industry
Charts, 370
FINLAND.
Aland Islands and Sweden, 67 (N)
Banking, 179
Banks, National Bank. See Current Statistics, Finance, Weekly
Budget, 179
Department of Overseas Trade Report, 1938, 445 (R)
Economic Report, 179
Statistics. *Monthly Trade Supp.*, 15
Trade. *Monthly Trade Supp.*, 12
Firth (Thos.) & Brown (John), Ltd., 580, 620 (BL)
Fisbee (I. N.). See Statistics, Riggleman
Fister (U.). See Yugoslavia, Peasant Problem (L)
Flax, Russian Exports, 90 (TN)
Floating Debt. See National Accounts
Food Council. See Meat Prices
Food Defence Department's Plans, 636 (TN)
Foodstuffs. See Industry and Trade, Other Foods, Weekly
Footwear. See Boots and Shoes
Ford Motor Co. of Copenhagen, 593
Foreign Affairs. See Czechoslovakia
Foreign Government Bond Trust, 322
Foreign Policy, British, 171 (N), 239 (N), 285 (LA), 601 (LA), 603 (LA)
Labour Party and, 610 (N)
FRANCE.
Anglo-French Relations, 607 (N)
Banks, National Bank. See Current Statistics, Finance, Weekly
Bank Rate, 26 (FN)
Bourse, Paris, 35, 261, 461, 501
Budget, 10 (N), 16
Coal, 177, 440

FRANCE—cont.
Colonies, 244
Cotton, 70
Daladier, Plenary Powers for, 607 (N), 613
Daladier in Tunis, 116 (N)
Economic Report, 14, 69, 120, 176, 244, 296, 340, 392, 440, 501, 561, 613
Economics, 613
Entente and Axis, 285 (LA)
Financial Policy, 74 (L), 344 (L)
Financial and Political Situation, 10 (N), 14, 69, 120, 244, 340, 392, 440, 501
Foreign Policy, 240 (N)
Plenary Powers, 607 (N), 613
Poland and, 241 (N), 336 (N)
President's Visit to England, 608 (N)
Presidential Election, 561
Prices, 70, 121, 177, 245, 341, 392, 440, 561, 614
Production, Industrial, 70, 296, 340, 392, 561
Railways, 121
Reynaud Plan, 14
Spain and, 171 (N), 335 (N), 386 (N), 440
Statistics. *Monthly Trade Supp.*, 6, 14, 22
Trade, Balance of, 70, 296, 561
Trade, Home, 296, 340, 501
Trade. *Monthly Trade Supp.*, 4, 12, 20
Wheat, 297
France (Wm.), Fenwick & Co., 279
François Cementation Co., Ltd., 406
Freeman, Hardy & Willis, 374
Fruit. See Industry and Trade, Other Foods, Weekly
Production of Small Fruit, 314 (FN)
Food Economy, 396 (BL)
Full-Fashioned Hosiery Co., 580
Funding Loan, Conversion 4½ per cent., 305 (FN)
Furs, 221, 273, 317, 369, 537, 588, 640

G

Gallagher, Ltd., 422, 457 (IN), 463
Garden Cities & Town Planning Association and Decentralisation, 74 (L)
Gas Companies, 256 (IN), 515 (IN)
Gas Light & Coke Co. Meeting, 365
Gaumont-British Picture Corp., 256 (IN)
Odeon Theatres and, 86 (IN)
Geduld Proprietary, 531 (CN)
Gedye (G. E. R.). See Europe, Central
Geveor Tin Mines, 196
General Consolidated Investment Trust, Ltd. Meeting, 272
General Investors & Trustees, Ltd. Meeting, 367
GERMANY.
Anglo-German Trade, 382 (LA), 393, 440, 501
Banks, Reichsbank. See Current Statistics, Finance, Weekly
Bourse, Berlin, 35, 261, 461
Building, 122
Coal, Anglo-German Discussions, 90 (TN), 263 (TN)
Colonies, 295
— Charts, 418
Crops, 502
Czechoslovakia and, 172 (N), 498 (N), 549 (LA), 571 (FN), 601 (LA), 607 (N), 608 (N), 609 (N), 636 (TN)
Debt, 614
Debt, Foreign, Short-Term, 301 (BL)
Economic Position, 180 (L and Chart). *Corrigenda*, 247 (L), 444 (L)
Economic Report, 16, 70, 121, 177, 245, 295, 341, 392, 440, 501, 562, 614
Eckle (Dr.). "Why Foreign Trade?" 295 (R)
Engineering Industry, 92 (TN)
Exchange, Foreign, 186 (FN), 255 (FN), 614
Expansion, Charts, 418
Exports. See Trade, Foreign
Federation of British Industries, 382, 607 (N), 614
Financial Situation, 177, 245, 502
Hitler's New Year Message, 16
— Speech to Reichstag, 234 (LA)
Hudson's (Mr) Visit. See Trade
Income, National, 441
Italy, Trade Agreement with, 341
Jews, 66 (N), 70, 121, 336 (N), 393, 491 (LA)
Memel. See Lithuania
Mining Output, 614
Naval Armaments, 9 (N)
Nonman's (Mr) Visit to Dr Schacht, 70
Poland and, 64 (N), 118 (N), 172 (N), 241 (N), 435 (N), 608 (N)
Production, Industrial, 71
Railways, 121, 342
Roumania and, 608 (N)
Schacht (Dr), Dismissal of, 165 (LA)
South-Eastern Drive, 125 (L)
Spain and, 234 (LA)
Statistics. *Monthly Trade Supp.*, 6, 14, 22
Submarine, 9 (N)
Sugar, 392
Taxation, 71, 441
Trade. *Monthly Trade Supp.*, 4, 12, 20
Trade. Messrs Hudson's and Stanley's Visit, 382 (LA), 393
Trade, Foreign, 16, 71, 177, 245, 295, 341, 382 (LA), 593, 440, 501, 562, 615
Trade, Home, 71, 122, 177
Turkey and, 178
U.S.A. and, 16

GOLD. See also Countries concerned
Week's Movements. See Current Statistics, Weekly
Week's Prices. See Finance and Banking, Bulletin Market (FN), Weekly
Czechoslovakian Crisis and, 624 (FN)
Embargo, 26 (FN), 351 (FN)
Exchange Equalisation Account, 22 (BL), 76 (BL)
Forward Contracts, Long-term, 305 (FN)
Output, Union Corp., 133 (FN)
Parcel Post, 571 (FN), 617 (L)
Rand Ore Reserves, 310 (CN)
Rationing of, 453 (FN)
Reserves, 22 (BL)
Revaluation, Currency and Bank Notes Act, 249 (BL), 304 (FN)
Statistics. *Monthly Trade Supp.*, 8, 16, 24
Sterling and Gold, 76 (BL), 181 (L)
Transvaal Output and Working Profit, 50, 103, 279, 326, 360
Union Corp. See Output
Goehld (Wm.). See Location of Industry (L)
Government Finance. See National Accounts
Governments Stock and Other Securities Investment Co., Ltd., 159. Meeting, 270
Grain. See Agriculture
Great Western Railway Co., 353 (IN). Meeting, 412
GREECE.
Banks, National Bank. See Current Statistics, Finance, Weekly
Exchange Refugees Indemnity Loans, 593
Trade. *Monthly Trade Supp.*, 12
Greyhound Racing Association Trust, 196
Grootvlei, 631 (CN)
Guam. See U.S.A.
Guiterman (S.) & Co., 580, 634

H

Hadfields, Ltd., 515 (CN), 522, 620 (BL)
Halman. See Japan
Halifax Building Society, 422
Hampton Court Gas Co., 89
Hans (Dr N.). See Education, Year Book
Hansen (A. H.). See Economics
Hanson (S. G.). See Argentina, Meat
Harrap. See Dictionaries
Harrods, Ltd., 360, 464. Meeting, 534
HEALTH.
Influenza. Chart, 1921-36, 13 (N)
Insurance and Wages, 438 (N)
Registrar-General's Annual Summary, 1936, 15 (N)
Heath (C.). Obituary, 510 (FN)
Heilperin (M. A.). See Raw Materials
Henry (A. & S.) & Co., 463, 483
Hire Purchase
Horton (R. B.). "The Hire Purchase Act, 1938," 618 (R)
United Dominions Trust. "The Hire Purchase Act, 1938," 618 (R)
Hilsenhoven (Paul van). See Agriculture, Grain
Hobson (H. M.). (Aircraft and Motor) Components, 634
Hodson (H. V.). See British Empire, British Commonwealth
HOLLAND.
Banks, National Bank. See Current Statistics, Finance, Weekly
Bourse, Amsterdam, 35, 261, 463
Economic Report, 502
Exchange, Foreign, 186 (FN), 255 (FN), 399 (FN), 502, 510 (FN)
Statistics. *Monthly Trade Supp.*, 15
Tariffs, 503
Trade. *Monthly Trade Supp.*, 12
Trade, Balance of, 503
Trade, Home, 503
Hollins (Wm.) & Co., 136 (IN), 196
Home & Colonial Group, 516 (CN), 580
Hoover, Ltd., 481. Meeting, 586
Hore-Belisha (L.). See Armaments, British
Hoskins (G. O.). See Profits, Industrial, Index (L)
Houlding Line, Ltd., 50
Houndsditch Warehouse Co., 279
Hours of Work in Shops, 437 (N)
HORSING.
Bricks, 24 (BL)
Progress, 175 (N)
H.P. Sauce, Ltd., 481
HUNGARY.
Anti-Comintern Pact and, 118 (N), 293 (N)
Banks, National Bank. See Current Statistics, Finance, Weekly
— Hungarian Commercial Bank of Pest. Meeting, 367
Czechoslovakia and, 64 (N)
Economic Report, 442
Economics, 617 (L)
Gold Revaluation, 442
Government, New, 336 (N), 437 (N), 442
Land Reforms, 118 (N), 336 (N), 437 (N)
Right Extremists, 437 (N)
Trade, Home, 442
Hurd (R.). See Scotland, Government of (L)
Hutton (R. B.). See Hire Purchase
Hutton (G.). See Europe, Central
Hyde (Mr F.). Obituary, 190 (FN)

Illustrated Newspapers, Ltd. Meeting, 587
Imperial Chemical Industries, 627 (IN)
Cerebos Salt and, 312
Imperial Continental Gas Association, 196
Imperial Tobacco Co. (of Great Britain and Ireland), Ltd., 190 (IN), 356 (IN), 403 (IN). Meeting, 414
Incorporated Accountants' Examinations, 593
Indemnity Marine Assurance, 401 (CN)
INDEX NUMBERS.
Actuaries' Investment. See Investment, Stock Exchanges, Weekly
Bonds, Foreign. — Municipal and General Securities, 31 (IN), 255 (IN), 457 (IN)
Business Activity. *Monthly Trade Supp.*, 3, 11, 19
— Chart, 1, 9, 17
Financial News. Daily Bargain. See Investment, Stock Exchanges, Weekly
Insurance Shares, 628 (IN)
Profits, Industrial, 60 (LA), 444 (L)
Shipping Freight, 38 (TN), 264 (TN), 324 (TN)
Standard Statistics Co. of U.S.A. See Investment, Stock Exchanges, Weekly
Sterling and International Prices (TN), 39, 141, 264, 362, 466, 583

INDIA.
Anglo-Indian Trade Agreement, 635 (TN)
Banking, 615, 624 (FN)
Banks, Reserve Bank. See Current Statistics, Finance, Weekly
— Eastern Bank. Meeting, 644
— Imperial Bank, 196, 580
Rose. See Gandhi
Budget, 438 (N)
Cotton, Anglo-Indian Trade Agreement and, 635 (TN)
Economic Report, 615
Federation, 112 (LA)
Gandhi and Subhas Bose, 242 (N), 338 (N), 438 (N), 496 (N), 616
H.M. Stationery Office. "Social Service in India," 566 (R)
I.L.O. "Industrial Labour in India," 566 (R)
Insurance Act, 511 (FN)
Mukerjee (Prof.). "Economic Problems of Modern India," 566 (R)
Princes, Chamber of, 558 (N)
Rao (H. S.). "The Industrial Worker in India," 566 (R)
"Social Service in India," 566 (R)
Statistics. *Monthly Trade Supp.*, 7, 23
Tea, Century of Indian, 77 (BL)
Trade Agreement, Anglo-Indian, 635 (TN)
Trade. *Monthly Trade Supp.*, British Empire
Industry. See Trade
Influenza. See Health
INSURANCE.
Accident, Contributory Negligence and, 492 (FN)
"Equitable" and Participating Contracts, 28 (FN)
Indian Insurance Act, 511 (FN)
Life Assurance in 1938, New, 82 (FN)
Ratios, Life, 28 (FN)
Share Index, 628 (IN)
War Risks, Government and, 253 (FN), 291 (N)
Interest Rates, Rising, 289 (LA)
INTERNATIONAL AFFAIRS. See also Europe
British Foreign Policy, 171 (N), 239 (N), 285 (LA), 601 (LA), 603 (LA)
Entente and Axis, 285 (LA)
King-Hall (S.). "Our Own Times, 1913-38," 126 (R)
International Combustion, 227
International Labour Office
"Industrial Labour in India," 566 (R)
"World's Coal-Mining Industry," 567 (BL)
International Nickel Co. of Canada, 312, 570 (BL)
Inveresk Paper Co., 593
INVESTMENT.
Actuaries' Investment Index. See INDEX NUMBERS
Angas (L. L. B.). "New Boom Ahead in England," 445 (R)
Anglo-American Comparisons, 14
Consolidated Accounts, 401 (IN)
Interest Rates, Rising, 289 (LA)
Outlook for 1939, 23 (BL)
Preference Shareholders, 401 (IN)
Trusts
— American, 128 (BL)
— Unit Trust Control (Sharepushing Bill), 508 (BL), 575 (IN)
— Results, 191 (TN)
Yields, Case for High? 402 (IN)
IRELAND. See Eire
Ireland, Northern
Ulster Bank, 196
Pigs Marketing Scheme, 437
Irish Republican Army and Bomb Outrages, 117 (N), 294 (N), 300 (L)
IRON AND STEEL. See Industry and Trade, Weekly
Monthly Trade Supp., 2, 10, 18
Czechoslovak Industry, 636 (TN)
Output, Dec., 90 (TN); Jan., 315 (TN); Feb., 524 (TN)
Pig Iron
— *Monthly Trade Supp.*, Statistics, 16
Steel. *Monthly Trade Supp.*, Statistics, 8, 16, 24
— A.R.P. Shelters and, 37 (TN), 140 (TN), 241 (N), 291 (N)
— Capacity, 197 (TN)
— Companies, 515 (CN)
— Production, 315 (TN)

Ismay Industries, 356 (IN), 422
ISSUES, CAPITAL.
Report, Weekly, 35, 89, 139, 196, 262, 311, 360, 406, 463, 522, 580, 634
New Prices, London. See Current Statistics, Investment, Weekly
New, Monthly Report, Jan., 258 (IN); Feb., 457 (IN)
ITALY.
Abyssinia, Migration to, 293 (N)
Anglo-Italian Clearing Account, 593
Banco di Roma. Meeting, 646
Budget, 12 (N)
Chamberlain's (Mr N.) Visit to, 1 (LA), 65 (N), 109 (LA)
Colonial Aspirations, Charts, 45
Economic Report, 178
Expansion of, Charts, 477
France and, 387 (N)
Germany, Trade Agreement with, 342
Investments, 178
Miller (H. S.). "Price Control in Fascist Italy," 445 (R)
Poland and, 436 (N)
Savings, 178
Statistics. *Monthly Trade Supp.*, 13

J

Jaccker (H. C.). See U.S.A., Profits (L)
Jamaica Government Stock, 139
JAPAN.
Banks, National Bank. See Current Statistics, Finance, Weekly
— Yokohama Specie Bank, 580
Budget, 123
China and, 18, 389 (N), 496 (N), 564
— British Note to Japan, 116 (N)
— Currency, 187 (FN), 495 (N)
— Hainan, 337 (N)
— Shanghai, 436 (N)
— U.S.A. and, 10 (N), 18
— War-time Needs, 616
— Wu-Pei-fu (Marshal), 242 (N)
Economic Report, 18, 123, 616
Expansion of, Charts, 477
Fishing Grounds, Russian, and, 242 (N)
Government, New, 64 (N)
Standard of Living, 616
Statistics. *Monthly Trade Supp.*, 7, 23
Trade. *Monthly Trade Supp.*, Far East
Trade, Balance of, 123
U.S.A. Note to, 10 (N), 18
JAVA.
Banks, National Bank. See Current Statistics, Finance, Weekly
Jews. See Countries Concerned and Refugees
Joesten (J.). See Denmark
JUGOSLAVIA.
Banks, National Bank. See Current Statistics, Finance, Weekly
Capital, 394
Changes in, 168 (LA), 292 (N)
Croats, 292 (N), 398 (N)
Economic Report, 394
Exchange, Foreign, 82 (FN)
Germany and, 394
Little Entente and, 292 (N)
Peasant Problem, 505 (L)
Jute. *Monthly Trade Supp.*, 3, 11, 19
Jute Industries, Ltd., 33 (IN). Meeting, 96

K

Kennings, Ltd., 262
Keystone Group
Yields, 135 (IN)
King-Hall (S.). See International Affairs
Konongo Gold Mines, Ltd. Meeting, 475
Krusse (Fr. V.). See Property

L

Labour
Disputes in 1938, 263 (TN)
Labour Conditions in Retail Trade, 390 (N)

Labour Party
Cripps (Sir S.) and, 117 (N), 172 (N)
Foreign Policy, Government and, 610 (N)
National Service and, 610 (N)
Lampport and Holt Line, 422
Lancashire Cotton Crop, 32 (IN)
Lancashire Dynamo and Crypto, 654
Lancashire Electric Light and Power Co., Ltd., 312, 357 (IN). Meeting, 416
Lancashire Steel Corp., Ltd., 522. Meeting, 648
Land Utilisation Survey. "The Land of Britain," Pt. 79, Middlesex and the London Region, 332 (LA)
Langen (Java) Rubber Estates Co., Ltd. Meeting, 219
Latin America
— *Monthly Trade Supp.*, 4, 12, 20
Investment in 1938, 308 (IN)
LATVIA.
Autarky in, 503
Banks, National Bank. See Current Statistics, Finance, Weekly
Economic Report, 503
Law Debenture Corp., 159
Law Land Co., Ltd. Meeting, 648
Lead. See Industry and Trade, Other Metals, Weekly
Products' Association's Statement, 636 (TN)
Statistics. *Monthly Trade Supp.*, 8, 24
LEAGUE OF NATIONS.
"Balances of Payments, 1937," 126 (R)
Finances of, 12 (N)
"International Trade Statistics, 1937," 126 (R)
"National Nutrition Policies, 1937-38," 126 (R)
"Systems of Agricultural Credit and Insurance," by L. Tardy, 126 (R)
Legislation, New, in 1938, 13 (N)
Levant, France and Britain in the, 384 (LA)
Lever Produce Companies, 577 (CN)
Lewis (John) & Co., Ltd., 649
Lewis's Investment Trust, 580
Lewis's, Ltd., 560
Leyland Motor, 136 (IN)
Libel Law Reforms, 294 (N)
Liebig's Extract of Meat Co., Ltd., 106. Meeting, 151
Limmer and Trinidad Lake Asphalt Co., 522
Linen. *Monthly Trade Supp.*, 3, 11, 19
Linen Thread Co., 227
Lypton, Ltd., 580
Lyster & Co., 279
LITHUANIA.
Banks, National Bank. See Current Statistics, Finance, Weekly
Economic Report, 615
Memel and Nazis, 608 (N)
Poland, Trade Agreement with, 615
Russia, Trade Agreement with, 615
Little Entente. See Europe
Liverpool Corp., 196, 262
Lloyd George (D.). See Peace
Lloyds, Corp. of, Heath (C.). Obituary, 510 (FN)
Location of Industry. P.E.P. Report, 489 (LA), 565 (L)
Locock (G.). See New Zealand, F.B.I. (L)
Lombard Industrial Trust, 634
Lombard Unit Trust, 593
London Associated Electricity, 576 (CN)
London Brick Co., Ltd., 278, 458 (IN), 516 (CN). Meeting, 530
London County Council
Budget, 497 (N)
Charts, 589
Jubilee, 552 (LA)
London Department Stores, 184 (BL), 517 (CN)
London Electric Supply, 404 (IN)
London Fares Increase, 84 (IN), 134 (IN), 611 (N)
London General Press. See Mediterranean
London Industrial Expansion of, 332 (LA)
London Life Association, 626 (N)
London and Lombard Investment Trust, Ltd. Meeting, 587
London Midland and Scottish Railway, 307 (IN), 354 (IN), 403 (IN). Meeting, 469
London and North-Eastern Railway Co., Ltd., 84 (IN), 402 (IN). Meeting, 529
London, Port of, Chart, 318
London Power Co., 360
London Stockholders Investment Trust, 159
London Store Shares, 184 (BL), 517 (CN)
London Transport, Bressy Report, 294 (N)
London Transport. See Current Statistics, Investment, Weekly
— C.P. Stock, 312
London Area Fares, 84 (IN), 134 (IN), 611 (N)
Lytton (Lord) and Others. See Decentralisation (L)

M

McMahon-Hussein Correspondence, 496 (N)
Manchester Ship Canal Co., 374, 422. Meeting, 472
Mappin & Webb, Ltd., 600
Marievale Consolidated Mines, 35, 631 (CN)
Marine and General Mutual Life, 626 (N)

Maritime Insurance Co., 626 (N)
Marketing Boards. See Agriculture, Milk, etc.
Mason (D. M.). See Gold, Sterling and (L)
May (A.). See U.S.A., Profits (L)
Maypole Dairy, 516 (CN), 580
Meadow Dairy, 516 (CN), 580
Meat. See Industry and Trade, Other Foods,
Weekly, and Argentina
Prices, 525 (TN)
Mediterranean. London General Press. "Azis
Plans in the Mediterranean," 345 (R)
Memel. See Lithuania
Mercantile Investment and General Trust, 312
Mersey Power, 625 (CN)
Metals. See Industry and Trade, Weekly
Stocks, 92 (TN)
Turnover in 1938, 314 (TN)
Metropolitan Electric Supply Co., Ltd., 458
(IN). Meeting, 529
Metropolitan Water Board, 463
MEXICO.
Oil, 612 (N)
Middlesex. See Land Utilisation Survey
Midland Counties Electric Supply Co., Ltd., 422,
459 (IN). Meeting, 536
Midland Electric Corp. for Power Distribution,
522, 629 (CN)
Midland Industries. See Trade, Court (W.H.B.)
Milk. See Agriculture
Milk Marketing Board. See Agriculture
Miller (H. S.). See Italy
Mills (H. A.). See U.S.A., Unemployment
Mills (F. C.). See Statistics
Mines. See Coal Trade
Modderfontein "B," 632 (CN)
MONEY.
Money Market (FN). Weekly
Rates in 1938, 28 (FN)
Turn of the Year, 26 (FN)
Montgomery (R. E.). See U.S.A., Unemploy-
ment, Mills.
Moore (D. M.). See Germany, Economic Posi-
tion (L)
Morley (L. & R.), Ltd., 481
Moss Empires, Ltd., 483
MOTOR INDUSTRY.
Monthly Trade Supp., 2, 10, 18
Haulage Vehicles, 13 (N), 250 (BL)
Registrations in 1938, 407 (TN)
Taxicabs. "Report of Committee on Cabs
and Private Hire Vehicles," 585 (LA)
World's Motor Vehicles. Charts, 274
Mukerjee (Prof.). See India
Municipal and General Securities
Foreign Bonds Index. See INDEX NUMBERS,
Bonds
Unit Trust Yields, 135 (IN)
Munro (H.). See Scientific and Industrial
Research (L)
Mysore Gold Mining, 422

N

Nairn (Michael) & Greenwich, Ltd. Meeting,
148
Napier (D.) & Son, Ltd., 227
Nathan (A.). See New Zealand, Federation of
British Industries (L)
Nathan (Joseph) & Co., Ltd. Meeting, 215
NATIONAL ACCOUNTS.
Banks 399 (FN)
Budget, 381 (LA)
Customs Revenue. Charts, 222
Defence Loans, 353 (IN), 381 (LA), 401 (IN)
Defence, White Paper on Expenditure, 329
(LA), 334 (N)
Estimates, 433 (LA)
— Air, 390 (N), 433 (LA), 555 (N)
— Army, 338 (N), 433 (LA)
— Civil, 294 (N), 590 (N), 433 (LA)
— Naval, 433 (LA), 610 (N)
Revenue and Expenditure, National
— Nine Months, 7 (LA), 47
— Weekly Returns, 46, 51, 99, 154, 223,
275, 319, 371, 419, 478, 539, 590, 651
Road Fund, 1937-38, 337 (N)
National Building Soc. Meeting, 150
National Discount Co., 36. Meeting, 150
National Gold Shares Certificates, 463
National Mining Corp., 422
National Mutual Life Assurance Soc., 262,
455 (IN). Meeting, 473
National Provident Institution, 573 (N)
National Savings Certificates. See Current
Statistics, Finance, Weekly
National Service. See Armaments, British
Naval Armaments
British, Air Arm, 11 (N)
— Estimates, 433 (LA), 610 (N)
German, 9 (N)
World, 493 (LA); Charts, 538
Negligence. See Insurance, Accident
New Era Consolidated, 196
New Year's Honours List, 10 (N)
NEW ZEALAND.
Banks. Reserve Bank. See Current Statistics,
Finance, Weekly
Economic Report, 19, 246
Exchange, Foreign, Control, 19, 66 (N), 350
(FN)
Exports 246
Federation of British Industries and, 20 (L),
74 (L)
Government Policy, 246
Import Restriction, 19, 66 (N)
Loan, Gov., 19
Pacific Conference on Defence in, 558 (N)
Statistics. Monthly Trade Supp., 7, 23

Newton Chambers & Co., Ltd., 139
Nitrogen, 199 (TN)
North-Eastern Electric Supply Co., Ltd., 106,
573 (CN). Meeting, 647
North Metropolitan Electric Power Supply Co.,
422, 517 (CN). Meeting, 585
Northampton Electric Light and Power, 312,
459 (IN)
NORWAY.
Banks, National Bank. See Current Statis-
tics, Finance, Weekly
Statistics. Monthly Trade Supp., 15
"Year-Book, 1938," 182 (R)
Nundydroog Mines, 483
Nutrition.
League of Nations, "National Nutrition Poli-
cies, 1937-38," 126 (R)
Nyasaland. See Rhodesia

Oats. See Agriculture
O'Brien (E.). See Eire, Agriculture
Odeon Theatres
Gaumont-British Picture Corp. and, 86 (IN)
Official Secrets
Act, 337 (N), 497 (N)
Journalists and, 68 (N)
OIL, PETROLEUM.
Companies, 33 (IN)
Mexico, 612 (N)
Output, Crude, 198 (IN)
Outputs, 54, 97, 164, 227, 278, 322, 422,
486, 542
Romanian Oil and the Carpathians (Map)
62 (LA)
Statistics. Monthly Trade Supp., 8, 16, 24
U.S.A. Reserves, 582 (TN)
O.K. Bazaars (1939), Ltd., 89
Old Broad Street (117), Ltd., 35
Oxford Economic Papers. See Unemployment
Oxford Farming Conference. See Agriculture

P

Pacific. See British Empire, Defence
PALESTINE.
Arabs. See Jews and
Banks. General Mortgage Bank, 312. Meet-
ing, 317
Economic Report, 298
Gort's (Lord) Visit, 174 (N)
Jews and Arabs, 11 (N)
— British Army and, 67 (N)
— "British Plan," 558 (N)
— Conference, London, 116 (N), 172 (N),
242 (N), 286 (LA), 435 (N)
— Hussein-McMahon Correspondence, 496
(N)
Population, 298
Park Gate Iron and Steel Co., 312
Parker's Burslem Brewery, 634
Parliament
Legislation, New, in 1938, 13 (N)
Prime Minister and, 171 (N)
Payments, Balance of. See Trade "The Truth
Peace. Lloyd George (D.). "The Truth
About the Peace Treaties," 6 (LA)
Pearl Assurance Co., Ltd., 312, 453 (N).
Meeting, 410
Pennsylvania Railroad, 518 (CN)
Phillips Rubber Sales, 196
Phoenix Oil and Transport Co., 360
Pig Iron. See Iron and Steel Industry
Platinum, 39 (TN)
POLAND.
Banks, National Bank. See Current Statis-
tics, Finance, Weekly
Budget, 297
Coal, Anglo-Polish Talks, 464 (TN), 581 (TN)
Colonies, 562
Currency, 297
Economic Report, 297, 561
France and, 241 (N), 536 (N)
Germany and, 64 (N), 118 (N), 172 (N), 241
(N), 455 (N), 609 (N)
Hudson (R. S.). See Trade
Italy and, 456 (N)
Lithuania, Trade Agreement with, 615
Roumania and, 498 (N)
Russia, Trade Agreement with, 356 (N)
Trade, Home, 297
Trade, Hudson's (Mr R. S.) Visit, 562
U.K. Trade with, 563
Ukraine, 237 (LA), 299 (L)
Political and Economic Planning, Location of
Industry," 489 (LA), 565 (L)
Pollak (H.) & Co., Ltd., 89
Pope Plus XI. Obituary, 334 (N)
Pope Plus XII. Election of, 434 (N)
Population
Registrar-General's Annual Summary, 1938,
13 (N)
Port of London, Chart, 318
Porter (Lord). See Insurance, Accident

PORTUGAL.
Banks, National Bank. See Current Statis-
tics, Finance, Weekly
Pottery
Monthly Trade Supp., 2, 10, 18
Poverty. See Bristol
Power Securities Corp., Ltd., 312. Meeting,
366
Preference Shareholders. See Stock Exchange
Prevention of Fraud (Investments) Bill. See
Stock Exchange, Sharepushing.
Prices. U.K. and U.S.A. See Current Statis-
tics, Industry and Trade, Weekly
Wholesale
— See Index Numbers. Sterling and Inter-
national Prices
Production, Industrial
Census of Production Bill, 295 (N)
Census of Production Index, Quarterly, 407
(TN)
PROFITS, INDUSTRIAL.
Index of, 60 (LA), 444 (L)
Months Dec. and Jan., 309 (IN); Feb., 514
(IN)
Year, 60 (LA), 102
Property
Campion (H.). "Public and Private Property
in Great Britain," 431 (LA)
Krusse (Fr. V.). "The Right of Property,"
566 (R)
Property and Reversionary Investment Corp.,
312
Provident Mutual Life Assurance Assoc., 401
(CN). Meeting, 415
Provisions. See Industry and Trade, Other
Foods, Weekly
Prudential Assurance Co., 278, 464, 512 (N)
Purnell & Sons, Ltd., 196

Quelcast, Ltd., 278
Quicksilver, 408 (TN)

Q

Radiation, Ltd., 649
Railway Dementia & General Trust Co., Ltd.
Meeting, 368
Railway and General Investment Trust, 262
Railway Share Trust & Agency Co., Ltd. Meet-
ing, 368
RAILWAYS. See also Countries concerned
Dividends, 307 (IN)
Earnings, 31 (IN)
Fares Increase, London, 611 (N)
Review of British Railways, March 4, pp.
446-450
Road Competition and, 20 (L), 118 (N), 290
(L), 390 (N), 496 (N)
Traffic Returns, U.K. and Overseas. See Cur-
rent Statistics, Investment, Weekly
U.S.A. Monthly Traffic, 158, 323, 543
Wages, 497 (N)
Rand Mines' Ore Reserves, 310 (CN)
Rand Selection Corp., 193 (IN)
Rao (B. S.). See India
Raw Materials. Monthly Trade Supp., 8, 16, 24
Heilperin (M. A.). "The Monetary Aspect of
the Raw Materials Problem and the Revival
of International Trade," 75 (R)
Rawplung Co., Ltd., 374
Rayon
Monthly Trade Supp., 3, 11, 19
— Statistics, 16
Output, 199 (TN)
Prices, 407 (TN)
Refuge Assurance Co., Ltd., 573 (N). Meeting,
527
Refugees
Jewish, 66 (N), 336 (N), 491 (LA)
Regional Defence. See Armaments, British,
Home Defence
Registrar-General. See Population
Retail Distributive Trades' Conference, 437 (N)
Retail Trade, 466 (TN)
Monthly Trade Supp., 3
Labour Conditions in, 390 (N)
London Store Shares, 184 (BL)
Sales Index, Changes in, 466 (TN)
Revenue. See National Accounts
Rheostat Co., 278
Rhodesia-Nyasaland, Royal Commission's Re-
port, 611 (N)
Rhodesian Copper, 193 (IN)
Rietfontein No. 11, 631 (CN)
Riggelman (J. R.). See Statistics
Rio Claro Investment Trust, 50
Rio de Janeiro Flour Mills & Granaries, Ltd.
Meeting, 152

R

Road Haulage Industry. See Transport, Road
Road Transport. See Transport
Robinson (Peter), 422, 464
ROMANIA.
Anglo-Romanian Clearing Account, 593
Banks, National Bank. See Current Statistics,
Finance, Weekly
— Standard Bank, 196
Statistics. Monthly Trade Supp., 7, 23
Trade. Monthly Trade Supp., 4, 20
South African Distilleries & Wines, Ltd., 89
South America. See Latin America
South American Journal. See Latin America,
Investment
South Bank Areas, Ltd., 360. Meeting, 368
South London Electric, 422, 576 (CN)
South Metropolitan Electric, 630 (CN)
South Metropolitan Gas Co., 226
South Suburban Gas, 312
Southern Railway Co. (84) (IN), 89, 307 (IN),
355 (IN), 403 (IN). Meeting, 415
RUSSIA.
Baski (N. de). "Russia Under Soviet Rule,"
75 (R)
Economic Report, 342
Flax Exports, 90 (TN)
Foreign Policy, 556 (N)
Hudson's (Mr) Visit. See Trade
Hungary and, 118 (N), 298 (N)
Japan and Fishing Grounds, 242 (N)
Labour Discipline, 343
Lithuania, Trade Agreement with, 615
Poland, Trade Agreement with, 336 (N)
Purges, 542
Statistics. Monthly Trade Supp., 15
Trade, Mr Hudson's Visit, 382 (LA), 556 (N)
Ukraine, 237 (LA), 299 (L)

S

San Francisco Mines of Mexico, Ltd., 422.
Meeting, 476
Savings. See National Savings
Schacher (G.). See Germany, South-East (L)
Science. Bernal (J. D.). "The Social Function
of Science," 287 (LA)
Scientific and Industrial Research, Department
of, 1937-38, 287 (LA), 344 (L)
SCOTLAND.
British Linen Bank, 422
Clydesdale Bank, Ltd., 36, 196
Government of, 74 (L)
North of Scotland Bank, 89
Scottish Economic Committee. "Scotland's
Industrial Future," 243 (N), 565 (L)
Scottish American Investment Co., Ltd., 312
Scottish Economic Committee. "Scotland's In-
dustrial Future," 243 (N)
Scottish Equitable Life Assurance Society, 626
(N). Meeting, 537
Scottish Iron and Steel, 649. See also Baird
(Wm.)
Scottish Life Assurance Co., Ltd., 401 (CN).
Meeting, 474
Scottish and North Country Investment Fund,
312
Scottish Power Co., Ltd., 483, 516 (CN). Meet-
ing, 536
Scottish Provident Institution Mutual Life
Assurance. Meeting, 645
Scottish Temperance & General Assurance Co.,
455 (N). Meeting, 533
Secondary Education. See Education
SECURITIES.
Week's Movements, 52, 104, 160, 228, 280,
324, 376, 424, 484, 544, 596, 656
Yields, 402 (IN)
Selfridge & Co., Ltd., 404 (IN). Meeting, 537
Sharepushing. See Stock Exchange
Shares, British and American Industrial Share
29 (IN), 255 (IN), 456 (IN)
Anglo-American Comparisons, 14
Sheffield & District Gas Co., 580
Sheffield Steel Products, 192 (IN)
Shipbuilding
British, 127 (BL), 581 (TN)
Companies, 515 (CN)
World, Merchant Shipping and Shipbuilding.
Charts, 153
SHIPPING.
Monthly Trade Supp., 3, 11, 19
British, 127 (BL)
Chamber of Shipping Proposals, 65 (N), 128
— Annual Report, 465 (TN)
Freights. See INDEX NUMBERS, Shipping
Imperial Shipping Committee and Far East,
558 (N)
Liverpool Steamship Owners' Association, 465
(TN)
Tramp Vessels, Small, 198 (TN)
U.K. Idle, 199 (TN)
World, Merchant Shipping and Shipbuilding.
Charts, 153
Shops, Hours of Work in, 437 (N)
Silk, Artificial. See Rayon
Silk Association of Great Britain and Ireland,
227
SILVER.
U.S.A., 27 (FN), 81 (FN), 133 (FN)
Week's Movements. See Current Statistics,
Weekly
Week's Prices. See Finance and Banking
(FN), Weekly
Sima (L.). See Hungary, Economics (L)
Smith (D.) & Sons, 227

SOUTH AFRICA.
Banks. Reserve Bank. See Current Statistics,
Finance, Weekly
— Standard Bank, 196
Statistics. Monthly Trade Supp., 7, 23
Trade. Monthly Trade Supp., 4, 20
South African Distilleries & Wines, Ltd., 89
South America. See Latin America
South American Journal. See Latin America,
Investment
South Bank Areas, Ltd., 360. Meeting, 368
South London Electric, 422, 576 (CN)
South Metropolitan Electric, 630 (CN)
South Metropolitan Gas Co., 226
South Suburban Gas, 312
Southern Railway Co. (84) (IN), 89, 307 (IN),
355 (IN), 403 (IN). Meeting, 415
SPAIN.
Banks, National Bank. See Current Statistics,
Finance, Weekly
Barcelona, Fall of, 171 (N)
Civil War, 11 (N), 17, 67 (N and Map), 116
(N), 171 (N), 498 (N)
— British Government and, 239 (N), 285
(LA)
— France and, 171 (N), 335 (N), 386 (N)
— Germany and, 234 (LA)
— Madrid, 557 (N)
— Morale on Both Fronts, 17
— Recognition of Franco, 386 (N), 429 (LA)
— Bank of England and, 453 (FN)
— Blockade and, 557 (N)
— Refugees, 239 (N)
Economic Report, 17
Spelter. See Industry and Trade, Other Metals,
Weekly
Statistics. Monthly Trade Supp., 8, 24
Spens (Sir W.). See Education, Secondary
"Square Deal." See Railways, Road Competi-
tion and
Squires Gate, Blackpool, 580, 634
Standard Life Assurance Co., 626 (N). Meet-
ing, 535
Statistics. Connor (L. R.). "Statistics in
Theory and Practice," 300 (R)
Mills (F. C.). "Statistical Methods," 300 (R)
Riggelman (J. R.) and Elsie (I. N.). "Busi-
ness Statistics," 300 (R)

STATISTICS, SPECIAL.
— Customs Revenue, 222
— Films, 370
— Germany's Expansion, 418
— Italy's Colonial Aspirations, 45
— Italy's Expansion, 477
— Japan's Expansion, 477
— London County Council, 589
— London, Port of, 318
— Motor Vehicles, World's, 274
— Naval Armaments, World's, 538
— Roumania, 650
— Shipping and Shipbuilding, 153
— Youth Hostel
Steel. See Iron and Steel Industry
Sterling. See Exchange, Foreign
Sterling Trust, Ltd., 312. Meeting, 369
Stewart (B. M.). See U.S.A., Unemployment
STOCK EXCHANGE.
Anglo-American Comparisons, 14
Clearings, 30 (IN)
Consolidated Account, Companies', 401 (IN)
Czechoslovakia and, 574 (IN)
Defence Loan and, 401 (IN)
Exchange Speculation, Foreign, 134 (IN)
Interest Rates, Rising, 289 (LA)
London, Weekly Report, 34, 87, 137, 194,
259, 310, 357, 405, 460, 520, 578, 635
Market, State of the, 190 (IN), 401 (IN),
514 (TN), 574 (TN), 607 (TN)
Outlook for 1939, 23 (BL)
Outside Dealings, 514 (IN)
Politics and, 190 (IN)
Preference Shareholders, 401 (IN), 139
Ritcher & Co., Expulsion, 134 (IN), 139
Rules, 50
Sharepushing Bill, 353 (IN), 456 (IN), 508
(BL), 574 (IN)
— Unit Trusts and, 508 (BL), 574 (IN)
Taxation, Inequitable, 574 (IN)
Yield, Case for High? 402 (IN)
Stones (Wm.), Ltd., 465
Stores. See Department Stores
Strikes. Trade Disputes in 1938, 263 (TN)
SUGAR.
International Sugar Council, 141 (TN)
Prospects, 583 (TN)
Statistics. Monthly Trade Supp., 8, 16, 24
Summers (John) & Sons. See United Steel Cos.
Sun Life Assurance Society, 187 (FN). Meeting,
271

SUPPLEMENTS.
Commercial History of 1938. Feb. 18
Trade, Jan. 28; Feb. 25; March 25
Supply. Need for Ministry of, 603 (LA)
Swan and Edgar, Ltd., 422
Swan. Hunter and Wigham Richardson, 515
(CN), 620 (BL)
SWEDEN.
Aland Islands and Finland, 67 (N)
Anglo-Swedish Trade, 563
Banks, National Bank. See Current Statis-
tics, Finance, Weekly
Budget, 122 &
Co-operative Union, 393
Economic Report, 122, 393, 563
Foreign Policy, 122
Labour Disputes, 295 (N)
Statistics. Monthly Trade Supp., 15
Trade. Monthly Trade Supp., 420
Trade, Balance of, 122, 394
Trade, Home, 122, 394
U.K. Trade with, 463
Unemployment, 563

SWITZERLAND.
Armaments, 342
Banks, National Bank. See Current Statis-
tics, Finance, Weekly
— Swiss Bank Corp., 262, 351 (FN)
Economic Report, 342
Rhine Navigation, 342
Statistics. Monthly Trade Supp., 15
Trade, Balance of, 342
Syria, 384 (LA)

T

Tardy, (L.). See League of Nations, Systems
of Agricultural Credit
Tarran Industries, Ltd., 463. Meeting, 472
Tavoy Tin Dredging, 89
Tascaus. "Report of Committee on Cabs
and Private Hire Vehicles," 585 (LA)
Taylor, Walker & Co., 422, 483
Taylor Woodrow Estates, 278
TEA.
Indian, Century of, 77 (BL)
Quota, 466 (TN)
Statistics. Monthly Trade Supp., 16
Telegraph Construction and Maintenance Co.,
Ltd. Meeting, 586
Telephone and General Trust, Ltd. Meeting, 649
Temperance Permanent Building Society, 196.
Meeting, 366
Tennessee Valley Authority. See U.S.A.
Thomas (Richard) & Co., 360
Thomson. See Banking
Tilling and British Automobile Traction, 192
(IN), 226
Tilling (Thos.), Ltd., 278, 309 (CN)
"Times." "The Tradition Established, 1841-44,"
Vol. II, 506 (R)

TIN. See Industry and Trade, Other Metals,
Weekly
Control, 451 (BL), 636 (TN)
Position, 38 (IN), 314 (TN)
Statistics. Monthly Trade Supp., 8, 24
Tottenham and District Gas, 422
Tout (H.). See Bristol

TRADE.
Anglo-American Comparisons, 14
Balance of. See Countries Concerned
— League of Nations. "Balances of Pay-
ments, 1937," 126 (R)
— U.K., 1938, 389 (N)
Business Activity. See INDEX NUMBERS
"Commercial History of 1938," Feb. 18
Commodity Markets. See Industry and Trade,
Weekly
Court (W. H. B.). "Rise of Midland Indus-
tries, 1600-1838," 75 (R)
Disputes in 1938, 263 (TN)
Exports, British, 233 (LA), 565 (L)
Federation of British Industries. "British
Commercial Policy," 173 (N)
Home Market versus Exports, 20 (L)
Home, Statistics. Monthly Trade Supp., 5,
13, 21
Hudson's (Mr) Visit to Germany and Russia,
382 (LA)
Overseas, Dec., 141 (TN), 164, Jan., 362
(TN), 374, Feb., 582 (TN), 600
— Distribution of, 346 (BL)
— Exports, British, 233 (LA)
— Volume of, 113 (LA), 263 (TN)
P.E.P. Location of Industry," 489. (LA),
565 (L)
Retail, 466 (TN)
— Monthly Trade Supp., 3
— Labour Conditions in, 390 (N), 437 (N)
— London Store Shares, 184 (BL), 517 (CN)
— Sales Index. Changes in, 466 (TN)
Supplements, Jan. 28; Feb. 25; March 25
— "Commercial History of 1938"
U.K. See Home
World. Monthly Trade Supp., 1, 9, 17
— Statistics, 7, 15, 23
— League of Nations. "International Trade
Statistics, 1937," 126 (R)
Trading Methods, 565 (L)
TRANSPORT.
Rail. See Railways
Road
— Accidents, 119 (N)
— Bressay Report, 294 (N)
— Fund, 1937-38, 337 (N)
— Haulage Vehicles, 13 (N), 250 (BL)
— And War, 119 (N)
— Railways and, 20 (L), 118 (N), 290 (N),
390 (N), 496 (N)
Transvaal. See Gold
Transvaal and Delagoa Bay Investment Co., Ltd.
Meeting, 96
TREASURY.
Treasury Bills, 350 (FN), 399 (FN), 453 (FN),
510 (FN). See also National Accounts,
Weekly
Treaties, Commercial
Anglo-Indian, 655 (TN)
Austro-German, 341
— Poland and Lithuania, 615
— Poland and Russia, 336 (N)
— Russia and Lithuania, 615

Trust of Bank Shares, 522
Trust Houses, Ltd., 89
Trust of Insurance Shares, 262
Trusts. See Investment, Trusts
Tuberculosis. See Wales
Tungsten, 526
TURKEY.
Anglo-Turkish Clearing Accounts, 593
Germany and, 178
Turner and Newall, Ltd., 32 (TN). Meeting, 220

U

Ukrainians, The Two, 337 (LA), 299 (L)
Uster. See Ireland, Northern
UNEMPLOYMENT. See also Countries Concerned
Fund's Accounts, 559 (N)
Government and Policy, 387 (N)
II. Inner and Outer Britain (Charta), 4 (LA)
Monthly Returns, Dec., 37 (TN); Jan., 313 (TN); Feb., 523 (TN)
Oxford Economic Papers. "Studies in the Mobility of Labour," 5
Union Corp. See Gold Output
Union Discount Co., 89, 157. Meeting, 209
Unit Trusts. See Investment Trusts, Fixed
United Automobile Services, 360
United Automobiles Trust. See Hire Purchase
United Kingdom and Argentine, 1933, Trust, 262
United Kingdom Provident Institution, 513 (FN). Meeting, 535
United Serdang (Sumatra) Rubber Plantations, Ltd. Meeting, 219
UNITED STATES.
Anglo-American Comparisons, 14, 181 (L)
Armaments, 176
Banking, 439
Banking, 1933-39, 507 (BL)
Banking in 1938, 82 (FN)
Reserves, Excess, 253 (FN)
Banks.
—America, Bank of, 36
—Bankers Trust Co. of New York, 36
—Brown Bros., Harriman & Co., 36
—Central Hanover Bank & Trust Co., 36
—Chase National Bank, N.Y., 36
—Federal Reserve and Federal Reserve Member. See Current Statistics, Finance, Weekly
—Guaranty Trust Co. of New York, 36
—Manufacturers Trust Co., 36
Budget, 58 (LA), 175
Capital, 82 (FN), 391, 612
Copper, 140 (TN)
Credit Cycle, 243
Czecho-Slovakia and, 608 (N)
Debt, Public, 560
Democracies and, 239 (N), 331 (LA)
Economic Report, 14, 68, 120, 175, 243, 539, 331, 439, 500, 560, 612
Federal Reserve Board
—Index of Production, 68, 339, 500
Foreign Policy, 239 (N)
Forty-hour Week, 120

UNITED STATES—cont.
Guam, Fortification of, 174 (N)
Hot Money. See Capital
Interest Rates, 391
Investment Trusts, 128 (BL)
Issues, 560, 612
Japan, U.S. Note to, 10 (N)
Neutrality, 239 (N), 331 (LA), 436 (N), 608 (N)
New Deal, 436 (N)
Oil Reserves, Petroleum, 582 (TN)
Pensions, 120
President and Congress, 57 (LA)
President's Message to Congress, 9 (N), 175
Prices, Wholesale. See Industry and Trade
Commodity Markets, Weekly
Profits, 125 (L), 505 (L)
Purchasing Power, 120
Railways.
—Monthly Traffic, 158, 323, 543
Silver, 27 (FN), 81 (FN), 133 (FN)
Spending Programme, 560
Statistics. Monthly Trade Supp., 6, 14, 22
Stock Exchange. See Investment, Stock
Exchanges, Weekly
—Anglo-American Comparisons, 14
Taxation.
—Exemption from, 244
Tennessee Valley Authority, 308 (IN), 397 (BL)
Trade. Monthly Trade Supp., 4, 12, 20
Trade, Balance of, 339
Trade, Home, 340, 439
—Recession, 439
Treasury, New Monthly Bulletin, 391
Unemployment, 500
—Burdick (E. C.). "Unemployment Relief without Taxation," 182 (R)
—Dennison (H. S.). "Towards Full Employment," 182 (R)
—Mills (H. A.) and Montgomery (R. E.). "Labor's Risks and Social Insurance," 182 (R)
—Stewart (B. M.). "Planning and Administration of Unemployment Compensation in the United States," 182 (R)
Utilities, 308 (IN), 397 (BL)
Wall Street. See Stock Exchange
United States Debenture Corp., 312
United States Steel Corp., 257 (CN), 279
United Steel Co., 422
—Summers (John) & Sons, and, 86 (IN), 262
United Tobacco Cos. (South), 406
Universal Fixed Trust, 35
URUGUAY.
Debt, 308 (IN)
Trade, Monthly Trade Supp., 20
U.S.S.R. See Russia

V

Van Dyk, 631 (CN)
Van Emden (Dutch Gulana) Gold Mines, 463
Vauxhall Motors, Ltd., 649
Vegetables. See Industry and Trade, Other
Foods, Weekly
Versailles Treaty. See Peace
Vickers, Ltd., 515 (CN), 620 (BL)

Vickers-Armstrongs, 620 (BL)
Villiers (R.). See Credit (L)
Vörlberger Werke, 36
Vulcanite, Ltd., 262

W

Waddon Investment Ltd., 360
Wagenfuhr (R.). See Aircraft Industry
Wages.
National Health Insurance and, 438 (N)
Cost of Living and, 119 (N), 407 (TN)
Wales.
Anti-Tuberculosis Service, 556 (N)
Walker (O.). See Railways, Road Competition and (L)
Walker (Peter) (Warrington) & Cain (Robert) & Sons, Ltd., 350. Meeting, 476
Wandsworth & District Gas Co., 312. Meeting, 368
War Risks, Government and, 253 (FN), 291 (N)
Watford & St. Albans Gas, 89, 226, 374
Waygood-Otis, Ltd., 374
Westinghouse Brake & Signal Co., Ltd., 196
Westminster Press Provincial Newspapers, 360
Weston Case. See Breweries
Weyburn Engineering, 278
Wheat. See Agriculture
Whitworth & Mitchell, Ltd., 312
Wigan Coal Corp., 522
Willatts (R. C.). See Land Utilization
Wilson (Sir A.). See Workmen's Compensation
Witt (K.). See Czecho-Slovakia
Wolsey, Ltd., 481
WOOL. See Industry and Trade, Fortnightly Report
Monthly Trade Supp., 3, 11, 19
—Statistics, 8, 16, 24
Prices, 92 (TN)
Woolcombers, Ltd., 464
Woolworth (F. W.) & Co., 85 (IN), 136 (IN), 257 (CN). Meeting, 271
Workmen's Compensation, 605 (LA)
Wilson (Sir A.) and Levy (H.). "Workmen's Compensation," 606

Y

Yager (H.), 374
Yorkshire Electric Power Co., 356 (IN), 360
Youth Hostels. Charts, 98

Z

Zeitlin (L.). See Trading Methods (L)
Zinc. See Spelter
Zvegintzov (M.). See Ukraines (L)

THE ECONOMIST

Vol. CXXXIV

JANUARY 7, 1939

No. 4976

CONTENTS

LEADING ARTICLES

- Agenda for Rome 1
Secondary Education for All 2
Unemployment in Great Britain—II
Inner and Outer Britain 4
Who Lost the Peace? 6
Nine Months' Revenue 7

TOPICS OF THE WEEK

- Opposition Grows 8
Air Defence Doubts 8
German Submarines 9
President and Congress 9
The American Note to Japan 10
France and Finance 10
New Year Honours 10
Naval Changes 11
Labour's Claims 11
No Change in Palestine 11
No Decision in Catalonia 11
A Roumanian Richard II 12
The Italian Budget 12
Economies at Geneva 12
Road Haulage Vehicles 13
Births, Deaths and Diseases in 1936 13
New Laws 13

OVERSEAS CORRESPONDENCE

- United States; France; Germany;
Belgium; Spain; Japan; New
Zealand 14

LETTERS TO THE EDITOR

- F.B.I. and New Zealand 20
Road and Rail 20
Eire's Economy 20
Home Market versus Exports 20
Books AND PUBLICATIONS
An Orthodox Economist 21
Books Received 21

THE BUSINESS WORLD

LEADING ARTICLES

- The Gold Reserve 22
The Market Outlook 23
Bricks and Houses 24

FINANCE AND BANKING

- The Turn of the Year 26
Restoration of Gold Embargo 26
French Bank Rate Reduction 26
The Silver Squeeze 27
A Year's Bank Clearings 27
Money Rates in 1938 28
Higher Life Insurance Rates 28
The Equitable Spreads the Equity 28

MONEY MARKET NOTES

INVESTMENT

- Course of Share Values 29
Stock Exchange Turnover 30
First Banking Results 30
Discount Dividends 31

INVESTMENT—cont.

- Home Railway Earnings 31
Chinese Customs Revenue 31
Foreign Bond Movements 31
Lancashire Cotton Results 32
Turner and Newall Prospects 32
Oil Dividends and Profits 33
Jute Industries Setback 33
The Week's Company Profits 33
Company Meetings of the Week 33
THE STOCK EXCHANGES 34
CAPITAL ISSUES 35
SHORTER COMMENTS 36
INDUSTRY AND TRADE
Self-Help for Farmers 36
Employment Marking Time 37
Steel and A.R.P. Shelters 37
Cotton Yarn Price-Fixing 37
Trouble with Bacon Contracts 38
Further Fall in Freight Rates 38
Co-operators and Bazaars 38
Strong Tin Position 38
Falling Platinum Prices 39
Wholesale Prices Rally 39
INDUSTRIAL REPORTS 39
THE COMMODITY MARKETS 41
COMPANY MEETINGS 42
CURRENT STATISTICS 45
INDEX TO VOLUME CXXXIII

Agenda for Rome

AS forecasts come in from Rome of the Italian official plans for the visit which Mr Chamberlain and Lord Halifax are to pay to Signor Mussolini next week, we get the impression that very little time is being allotted to the serious diplomatic work that is the ostensible purpose of the meeting; and we will confess that, for our part, we view this feature of the programme with some relief. For we have been told by the Italian newspapers that the conversations are expected to be conducted in the spirit of Munich, and there is always a risk that this might turn out to be true. The spirit of Munich, at least as it is interpreted in Berlin and Rome, might be rendered as the spirit of give and take, the democracies doing all the giving and the dictatorships all the taking. It is true that there is little prospect of any British territory, or even any British money, being handed over at Rome. It seems no more likely now than it was found to be when the question was ventilated in Parliament last June that Italy could apply with any hope of success for that British Government guarantee, in default of which the state of Italian finances and economy would prohibit the raising of a loan in London. As for territory, Mr MacDonald's recent dictum that the colonial question is not now a practical issue as far as Great Britain is concerned may be presumed to apply to any Italian claims as well as to those of Germany. Indeed, Italy has always recognised that our cession of Jubaland to her after the war was a full settlement of her claims on us under that London Treaty of 1915 which she is still invoking against France.

The identity of Signor Mussolini's intended victim was made perfectly clear by the famous shouts which echoed, with Fascist spontaneity, in the Chamber at Rome on November 30th. The next victim to be anaesthetised by the spirit of Munich was to be France, and the limbs of which she was to be relieved were Tunis, Corsica, Nice, Savoy and Jibuti. Signor Mussolini does not often miscalculate; but this time he did. The General Strike that was to paralyse M. Daladier immensely strengthened him. France has not buried her head in another financial crisis; on the contrary, she has begun to make a remarkable financial and economic recovery. The Italian demands have helped by their sheer outrageousness to close French political ranks. Until the other day it had not occurred to the Corsicans to proclaim the truism that they were patriotic Frenchmen. The Arabo-Berber nation of Tunisia is too conscious of its ripeness for self-government, and too well aware of the nature of Italian rule next door to them in Libya, to be willing to change the French for the Italians. The clumsily-staged scene in the Italian Chamber has stung both peoples into vociferation, and M. Daladier's reception this week, both in Corsica and in Tunis, has convincingly demonstrated the loyalty of these two territories. The net effect of claiming that Tunis and Corsica are Italian has been to make them more French than ever. The French Government, however, have left nothing to chance; they have publicly declared that they desire, and will accept, no mediation between themselves and Signor Mussolini; and the view in London is that, if Mr Chamberlain

mentions the subject at all, it will be to point out that the Italian "aspirations" in the Mediterranean are contrary to the Anglo-Italian Agreement.

Any cession of French territory to Italy, in the Mediterranean or elsewhere, can, therefore, it would seem, be ruled out, even as a topic for discussion. Territorial cessions do not, of course, exhaust the possibilities of Italian demands upon France. There is the claim for a regularisation of the status of Italians in Tunisia, which rests at present on the precarious basis of an old agreement which has to be renewed every three months. But the French are fully entitled to retort that, if Signor Mussolini desires such a regularisation, he should not have denounced, last month, the Agreement he reached with M. Laval in 1935 on precisely this matter (among others). There is the claim for reduction in the Suez Canal dues, with or without representation on the Board of the Company. There is the claim for a free port at Jibuti and possession of the railway to Addis Ababa, on the ground that most of the trade of Jibuti is with the new Italian Empire of Abyssinia. (This, incidentally, is, of all the Italian claims, the one that should excite the most sincere support from Herr Hitler, since what is sauce for Jibuti is clearly sauce for other ports, such as Trieste, whose hinterlands have also recently changed hands.) All these non-territorial demands of Signor Mussolini's have a certain element of justice in them. But the manner of their presentation has made it impossible for either the French or the British Governments to pay attention to the justice or to anything but the power politics of the claims.

If Tunis, Corsica, Nice, Savoy, Suez and Jibuti are all removed from the agenda, what remains? Spain we have always with us. If Signor Mussolini cannot be paid in French coin, may he not have some Spanish small change thrown to him instead, in return for all those bombs dropped from aeroplanes of Italian design on British merchant ships plying on their lawful occasions in Spanish waters? The sudden and furious offensive that General Franco and his Italian allies have launched shows how prominently the question of Spain stands on Signor Mussolini's agenda for the Rome talks, since it is clearly political rather than military considerations that lead to an attack in midwinter. Last April, a successful Franco offensive played quite a part in bringing the Anglo-Italian negotiations for an agreement to a conclusion; for, clearly, if General Franco is on the point of winning, there is an

added argument for Britain's standing in well with him and his friends. The new offensive has not yet secured any striking success; but the pressure on the Catalanian front is no more severe than will be put on Mr Chamberlain in Rome to grant belligerent rights to General Franco.

On the face of it, any such grant can be excluded—for two reasons. In the first place, no British Government can relish the prospect of wholesale attacks on British shipping by "volunteer" aircraft, destroyers and submarines of Italian manufacture—for that is the real meaning of "belligerent rights." And, secondly, Mr Chamberlain declared in the House of Commons on December 19th that "so long as there are foreign troops in Spain, and so long as no other solution has been found for the Spanish question but that which is involved in the Non-Intervention Plan, His Majesty's Government do not propose to grant belligerent rights to the parties in Spain other than in accordance with the Non-Intervention Plan itself." In ordinary times this would be decisive. But the Spanish affair has been marked by the use of so many misleading euphemisms—some of them by His Majesty's Ministers—that it is impossible not to be suspicious. For example, although the most furious battle of the war is raging on the Ebro and the Segre, the British Government's official view is that the Spanish question has been settled, for such a settlement was to be a prerequisite of the ratification of the Anglo-Italian Agreement. If a "settlement" can be so defined, why not a "solution"? But we hope that Mr Chamberlain meant not merely what he said, but what the words he used would ordinarily convey. There have been, in the last few days, the usual rumours to the effect that Signor Mussolini might, at comparatively small cost, be persuaded to order a complete withdrawal from Spain. There is no reason to believe that they are less than usually mendacious. We would hesitate to say that there is no prospect of a Chamberlain-Mussolini agreement on Spain; but there is no apparent possibility of any such agreement as would contribute to genuine appeasement.

We trust that Mr Chamberlain and Lord Halifax will have a pleasant journey and that their tour of the sights of Ancient and Modern Rome will afford them both pleasure and instruction. But, since there is no sign of any readiness on Signor Mussolini's part to agree to the conditions of an equal peace, and plenty of signs to the contrary, we pray that the Prime Minister and the Foreign Secretary will resist all temptations to bring home an agreement.

Secondary Education For All

NO public service is so well provided with blue-prints for its due development as education. The permanent Consultative Committee of unpaid experts given to the Board of Education forty years ago has done outstanding work. Their reports have served as landmarks in the progress of pedagogy. Since the war four reports have outlined plans for a new model education. Three, made under the chairmanship of Sir Henry Hadow, on the education of the adolescent (1926), the primary school (1931) and infant and nursery schools (1933), set out the new pattern. The fourth, on secondary education, drawn up under the chairmanship of Mr Will Spens (whose merited knighthood was included in the New Year Honours) and published a week ago, completes the design.

"The existing arrangements for the whole-time education of boys and girls above the age of 11 + have ceased to correspond with the actual structure of society and the economic facts of the situation." This is the considered conclusion of a survey whose 477 pages constitute an exhaustive record, not only of present post-primary education and its historical development, but also of the principles of philosophy, biology and psychology involved

in the training and instruction of young people. The Committee's finding is that the tradition of academic teaching handed down by the ancient public and endowed schools has lain too heavy upon the State-aided secondary schools set up in the dawn of this century; and the grip of that tradition has been tightened since 1917 by the demands of the School Certificate examination. Pupils are forced into the mould of a curriculum intended as a preparation for matriculation and undergraduate studies, and the provision of "post-primary education of high educative value on non-academic lines with a certain bearing, direct or indirect, on industry, agriculture and commerce" has been neglected.

The goal proposed by the Committee a dozen years ago in *The Education of the Adolescent* was "a secondary system enlarged to include a variety of institutions differing in curricula and educational methods but equal in educational opportunity and social status." And it is in this spirit that their latest recommendations are made. All children over 11 years of age should be entitled to secondary education, which, to provide a niche for every child, should comprise, not only "grammar" schools of the academic

type, but also "modern" schools and "technical high" schools. Modern schools will be a development of the central or senior schools at present anomalously administered under the elementary code, to provide more advanced instruction than in primary schools proper; their curriculum will come midway between those of grammar and technical schools. Technical high schools, like modern schools, will offer the same breadth of curriculum as other secondary schools, but, working closely in association with technical colleges, factories and farms, they will include such subjects as engineering, drawing, practical crafts and husbandry. Together the triad of schools is designed to turn out the professional men and technicians which modern society needs in growing numbers—while at the same time providing every child with a training suited to his bent.

Hitherto a prime obstacle to the provision of realistic and practical courses for boys and girls between the ages of 11 and 16 has been social prejudice. The old endowed schools have been held in high esteem, and the academic training they gave has been prized as a badge of social status. The Committee propose to remove the stigma of inferiority from technical and quasi-vocational training by insisting on absolute parity between the three types of secondary school they envisage, in quality, cost, accommodation, staffing and status.

Some critics will be wary of these proposals. There will be a lingering suspicion that the practical consequence of these reforms may be the relegation of most working-class children to technical institutions to prepare for the proletarian lot which destiny has given them; a fear that, instead of secondary education for all, the tri-furcation of post-primary schools may mean secondary education for only a select few.

Such apprehensions are *prima facie* groundless. The Committee's scheme is based upon equality of opportunity; upon 100 per cent. special places (i.e. free places or places at reduced fees) in all kinds of secondary schools as soon as possible; upon the entire abolition of fees immediately it can be afforded; and upon the freest possible transfer at 13 and subsequent ages from one type of school to another, if proved capacities seem to merit it.

Most important of all, perhaps, are the proposals relating to teaching and curriculum, as distinct from organisation. Thus the basic items of the curriculum will be the same in all the three proposed types of school. Studies in all will be grouped round English, Scripture, History and Geography; in all, foreign languages and physical and æsthetic training will be much more encouraged than has been the case in the past. Differentiation is, rightly and wisely, the keynote of the Committee's scheme; but in no kind of school will undue or premature specialisation be permitted. The intention of the reforms is to cater for the ascertained needs of adolescents; to provide them with freedom of choice; to foster the free growth of individuality; to liberate the teacher from examination trammels; to present pupils with problems in place of cramming them with undigested knowledge; and to eliminate what is dead and abstract from the teaching of such subjects as Latin, mathematics and science.

It may well prove that, in the event, the widely differing circumstances of the families from which the pupils come will weight the scales of opportunity against the poorer children without outstanding ability. There is no mention in the report of family allowances or maintenance grants. Yet there is a strong recommendation to raise the school leaving age all-round and effectively to 16; and there can be no doubt that the Committee's intention is to frame a secondary education suited in its diversity to all children and designed to furnish the stream of skilled and intelligent citizens of varied interests and attainments by which alone a modern industrial society can survive in health and wealth.

The real question now is how much of this welcome

advice will remain piously on paper and how much will be put into effect. The Hadow reports on infants, primary schools and adolescents have done something to make English education more adaptable and sympathetic. At secondary schools there were 484,676 children, or 12 per cent. of children between 11 and 17, in attendance last year, compared with 187,647 in 1913. The number of secondary school places has trebled since 1910, and the average length of stay in secondary schools has increased by two years. But, at no stage of public education has pedagogic enlightenment prevailed over administrative and financial obstacles. Despite the Hadow reports, only a quarter of the children between one and five come under the public health services; only one-seventh of the same group are yet in nursery schools or nursery classes; one-fifth of education authorities still provide no milk or school meals for pupils; one-third of elementary classes still number over forty, despite the Board's limit of thirty or thirty-five; one-third of the elementary schools blacklisted twelve years ago as unfit for use are still occupied; and, despite the raising of the school-leaving age, some critics estimate that as many as four-fifths of school children leave at or near fourteen. Of the juveniles who go to work thus early, only about one-fifth secure other than dead-end jobs and, as Professor Tawney eloquently argued in this year's Hobhouse Lecture, the majority of young people are no better qualified at eighteen to serve themselves and the State than they were four years before. In height, weight and nutrition there are marked differences between children from different social classes, despite the admirable thirty-years record of the school medical services. The better-paid professions are still manned by a small minority educated at costly schools; and, although one-fifth of the male undergraduates at Oxford and Cambridge and two-fifths at all universities are ex-elementary school boys, the number of such boys passing to universities is still less than one-half per cent. of the total output of primary schools. In spite of special places and State scholarships, "the educational ladder is an ideal rather than a fact"; and, over the whole field of education, performance still falls far short of the mark set by the Consultative Committee.

The obstacles to progress are economic. Educational advance is costly in two ways: already, on the one hand, something like one-seventh of the population is withheld from gainful employment for nine years; and, on the other hand, the yearly price of public education has risen since 1913 from £13 millions to £95 millions. If the Hadow and Spens schemes were fully implemented public funds would be called upon to supply from £120 millions to £150 millions annually. The current claims of defence reinforce calls for a halt in outlay.

There is some substance in these anxieties, short-sighted though they are. Yet it is for Parliament and the people to make up their minds. On the one hand, expensive reforms are officially elaborated; they are widely recognised as necessary and desirable. On the other hand, economy is officially claimed and practised. The time is ripe for decision. To the economist the outcome cannot be in doubt. It is as true to-day as it was when Lord Macaulay excited Parliament by his defence of the Ten Hours Act that the falsest of false economy is to exploit and wear out juvenile labour. Cheeseparing in education is waste; it is especially so to-day when gainful activities call for new skills and greater intelligence.

Education is a positive service. It is the casting of bread upon the waters to gain a manifold return. It is remunerative investment. It increases the economic yield of the people and swells the national income. As we stand at the parting of the ways in a troubled world economy, we need more than ever mental resource and technical knowledge. Youth is our capital and, in the wise words of Professor Tawney once more "society must not eat its seed-corn or harness its wagons with colts."

Unemployment in Great Britain—II

Inner and Outer Britain

LAST week, the first of these articles discussed some of the fundamental movements that have been going on throughout boom and slump over the last ten years in the distribution of our resources between different industries. These changes have been accompanied by others equally far-reaching in the growth of our employed population between different areas. Since the war a realignment of industrial growth has been taking place at a rate comparable with the movement to the Midlands and North in the Industrial Revolution a hundred and thirty years ago. The graph below illustrates the course of insured employment in Great Britain as a whole over the last fifteen years, compared with the growth of its two halves, Inner Britain or the South of England and Midlands, and Outer Britain or the North of England, Scotland and Wales. The different movements are extremely striking. Between July, 1923, and July, 1938, the number of insured employed in Great Britain increased by 23 per cent. In the same period the numbers in what we have called Inner Britain increased by no less than 40 per cent., while the numbers in Outer Britain increased by only 6 per cent. In July, 1923, there were roughly 5,000,000 insured employed in Outer Britain, and in July, 1938, 5,250,000. In Inner Britain at the first date there were just over 4,500,000, and at the second nearly 6,500,000. These figures give some idea of the relative numerical importance of the change. In 1923 the South and Midlands contained 48 per cent. of the insured employed, in 1938 56 per cent., while the proportion held by the North of England, Scotland and Wales shrank from 52 per cent. to 44 per cent. These recent changes in regional growth have been accompanied by social and economic reactions reaching every quarter of our national life.

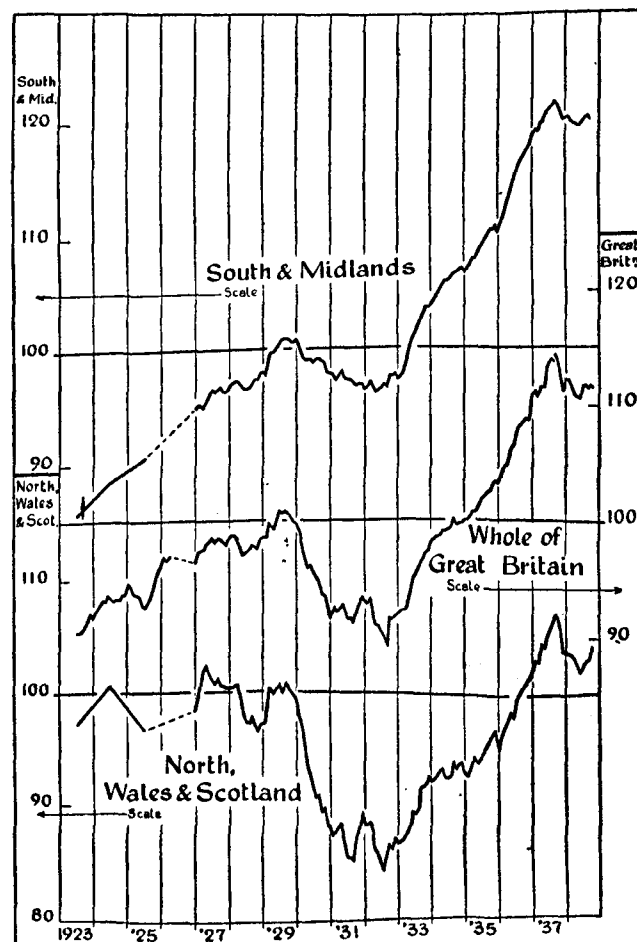
The movements become clearer if we look at the two charts shown on the opposite page. One shows the regions we have included in Inner Britain, the other those we have included in Outer Britain. The contrast could scarcely be more marked. If the figures of July, 1923, are compared with the average of July, 1937, and July, 1938 (the average being taken to avoid comparisons with the peak of the boom in 1937, or with the low of a year later), it will be found that employment in the South-East, where expansion has been most rapid, has grown by the astonishing figure of 63 per cent. The effect of the Great Depression in this area was merely to cause a temporary cessation of growth. London in the same period grew by 37 per cent., rather more than half as fast, and the South-West by 35 per cent. In these two areas the slump caused a small and temporary relapse. The Midlands grew by only 26 per cent., and the slump was much more marked. Nevertheless, nowhere in the South did the growth of employment fall below 25 per cent. over the fifteen years under consideration, and in no case did the duration of the slump, as reckoned by the interval elapsing between the boom levels of 1929 and the surpassing of those levels in the upswing of recovery, reach as long as four years. The explanation of this resilience lies in the localisation of British industry. The economy of Inner Britain is based predominantly on supplying the growing home market, which barely felt the depression, and none of these regions is a centre of heavy industry. The Midlands, which, of these areas, has the largest export connections, felt the slump most severely. Building, one of the few investment goods industries which is fully represented in Inner Britain, is also one of the very few to have had a really prosperous history since the war. The great bulk of post-war construction, whether of houses or other buildings, was undertaken

in these localities, and the expansion of the building trade is strongly reflected in the employment figures.

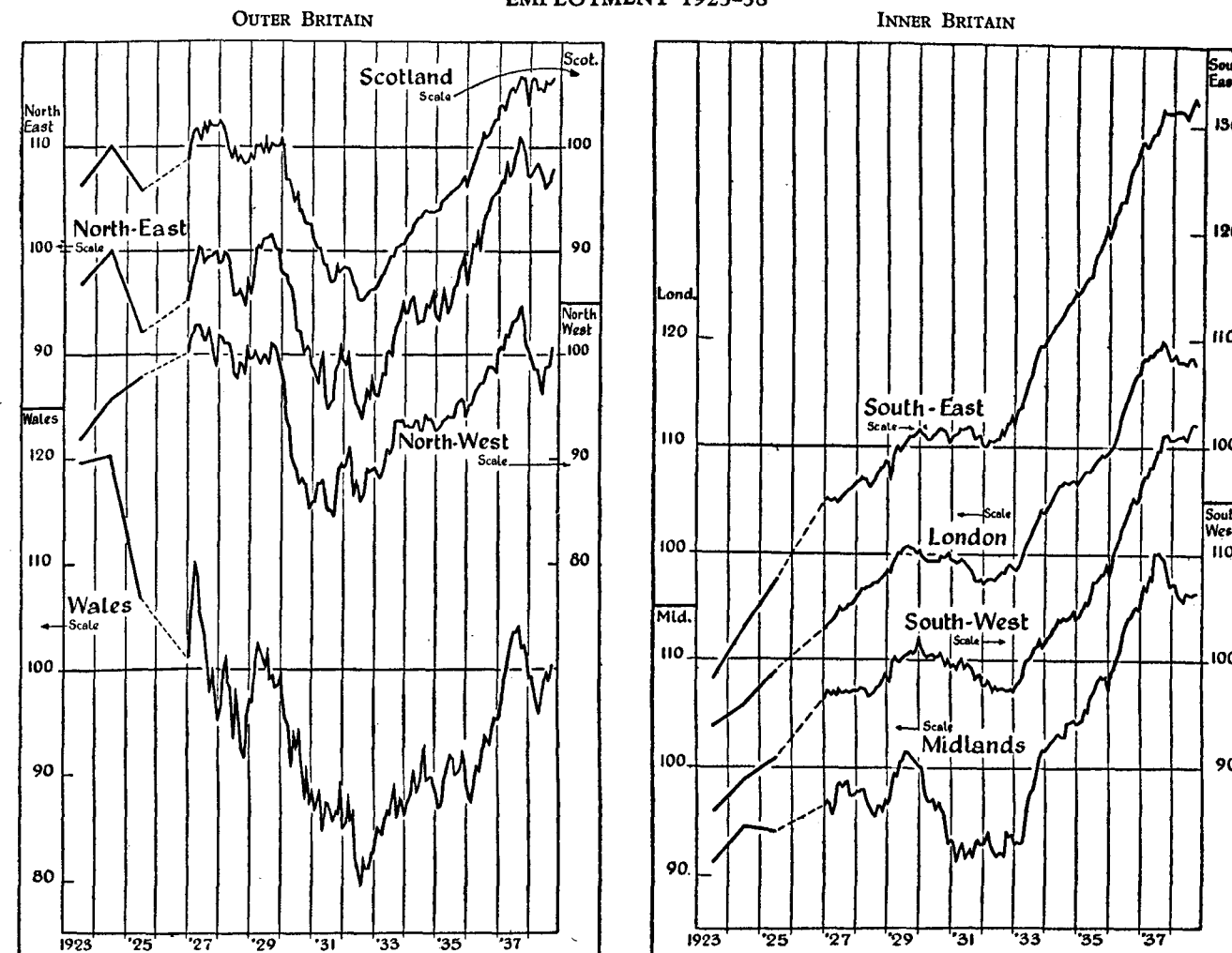
The chart for the regions of Outer Britain tells a very different story. If 1923 is once again compared with the average of July, 1937-38, the North-East and Scotland show the best records; but, even so, insured employment in the North-East grew by only 6 per cent., and in Scotland by the same proportion. In the North-West, the increase has been 5 per cent., and practically all the growth was between 1923 and 1929. The curve for Wales shows to what a degree the changed post-war conditions have been met. Employment has decreased by 18 per cent. since 1923, and here, in contrast to the North-West, the decline was proceeding rapidly before 1929.

The gap between the lowest percentage increase in Inner Britain, 26 per cent., and the highest in Outer Britain, 6 per cent., is impressive, but that between the highest in Inner Britain, plus 63 per cent., and the lowest in Outer Britain, minus 18 per cent., is enormous. The duration of the slump in Outer Britain was also much longer than in the South and Midlands. The North-East took six years to regain the 1929 level, Scotland took six and a half years, the North-West took seven years, and Wales seven and a half years, compared with a maximum of four years in the South and Midlands. The loss of employment at the bottom of the slump in Inner Britain averaged 5 per cent. only, and never reached 9 per cent. In Outer Britain it averaged over 15 per cent. and reached 20 per cent. The explanation is again to be found in the location of British industry. In the years since the war Great Britain has had to make a readjustment away from the export areas with their declining volume of export trade towards the growing home market. Hence Scotland with engineering,

REGIONAL EMPLOYMENT CHANGES



EMPLOYMENT 1923-38



All the curves in the above diagrams have been reduced to a comparable basis by using figures for the regions as they were before the changes made in 1936, the chief of which was the establishment of a new Northern region. The figures for the "old" regions in the later years have been obtained partly from the Local Unemployment Index, partly through the courtesy of the Ministry of Labour. Normal seasonal variations have in every case been removed.

shipbuilding and textiles, the North-East with steel and shipbuilding, Wales with coal and steel, and the North-West with cotton, wool and engineering, have grown slowly and have at the same time tended to lose by migration to more prosperous regions. The brunt of the slump was borne by the export trades and the regions of Outer Britain.

In the last year both home market and export market have experienced sharp reductions, which have had different effects on the different areas. The North, despite the stimulus of re-armament to the heavy industries, has lost ground relatively to the South, largely because of the vulnerability of the export trades to trade depression. The South, supported by the demand of the home market and its strong upward trend, has declined much less, despite the slow drag exercised by shrinking building activity. Only the South-West and South-East have been sufficiently strong to improve their positions. London and Scotland have found the home market and re-armament enough to prevent an appreciable decline, but the Midlands and North-East have not been so fortunate, and the North-West (textiles) and Wales (tinplate and coal) have reacted severely.

The facts presented in last week's article demonstrated that great industrial shifts have been going on, and that to these labour, while still mobile, can only adapt itself relatively slowly. To dislocation caused by unequal industrial growth, we must now add the dislocation caused by unequal regional growth. Although both conditions inflame each other the latter may be the more distressing. If a whole area is severely hit, as South Wales, for example, has been, any adjustment, apart from wholesale movement of the population, may be difficult to find. In Lancashire, which has many industries, on the other hand, distressed cotton workers have been able to move into the new light

industries which have arisen amid the old trades' ruins.

A recent study by the Oxford Institute of Statistics on the mobility of Labour* has some interesting conclusions bearing on this point. The investigators show that mobility is determined primarily by relative unemployment percentages. During the period we are considering, the incentive to move from Outer Britain on account of unemployment has been ample. If we take the years 1927 onwards (to avoid the influence of the Coal Strike), and look at the lowest recorded unemployment percentages for all the areas, we find that the biggest spread between the different lows—3.9 per cent. in the South-East, and 14.7 per cent. in Wales—is over 10 per cent., with the other regions in between, those of Inner Britain grouped at one end, those of Outer Britain at the other. The spread between the highest figures of unemployment recorded, 39.9 per cent. in Wales, and 15 per cent. in London, is even greater, nearly 25 per cent.

It is possible, therefore, to conclude as follows. The great diversity of growth between Inner and Outer Britain since 1923, the trend of which appears still to persist, argues a great elasticity of labour supply and economic resilience. Yet the comparative regional figures for unemployment show that, great though the realignment has been, it has fallen very far short of completeness, and that maladjustment between the areas is persistent. Great Britain has responded to a surprising extent to the great economic strains that the post-war era has brought, but, nevertheless, readjustment, left to the free play of economic forces hampered by natural frictions of distance and poverty, has been very far from sufficient.

* Oxford Economic Papers. No. 1. Paper 5. "Studies in the Mobility of Labour."

Who Lost the Peace?

NINETEEN years ago next Tuesday the Treaty of Versailles came into effect, and four days later the Council of the League of Nations held its first meeting in Paris. As we embark on this twentieth year of the Great Peace, the moment is appropriate to inquire why the world system set up in 1919 has failed. Were the principles of the Paris Treaties fundamentally unsound and, if so, in what respects, or is it that these principles have been betrayed by those who should have carried them out? In the main, it is the second answer that Mr Lloyd George gives in his recently published volumes on the making of the treaties.* This work has not quite the same quality of exposition as his War Memoirs; for he is so often concerned to show that criticisms directed against himself should have been addressed elsewhere, that the work is loaded with unduly long quotations and summaries. The subject matter is immensely complicated and covers an enormous field; and Mr Lloyd George assumes a rather wider knowledge of the history of other nations than many general readers possess. Nevertheless, Mr Lloyd George's work is an essential contribution to the understanding of the Peace Treaties; the new documents which he quotes must be taken into account by anyone who hereafter attempts to form an opinion; and it is immensely valuable to have on record the personal impressions of the only survivor of the chief actors in that greatest of diplomatic dramas.

On the whole, Mr Lloyd George makes out a strong case for his main thesis. With all its defects, the Conference of 1919 released and gave ordered scope to forces which might have redeemed the world. Consider some of its fundamental issues. "The Treaties of Paris," says Mr Lloyd George, "constitute the greatest measure of national liberation of subject nations ever achieved by any war settlement on record." In 1914 there were, in the belligerent countries, 100 million men and women the denial of whose claim to free nationhood constituted a crime by the States which governed them. Secondly, the Peace Treaties made the attempt to vindicate international right, not merely by a return of territories occupied by force of arms, but by inflicting heavy compensation for the damage done and by summoning for trial those who were guilty of aggression or who had transgressed the laws of war. Thirdly, the huge armaments that had been piled up in anticipation of war were to be done away with, first by the defeated, and subsequently by the victorious nations. In the fourth place, the German colonies were not to be returned, but were to be administered as an international trust for the benefit of the inhabitants. Finally, the League of Nations was set up to promote conciliation when disputes arose between nations, to provide in suitable cases for arbitration, to furnish collective support for victims of aggression, to watch over the treatment of the minorities which were inevitably created in the new States of Europe and to negotiate the revision of treaties that experience proved to be unjust or unworkable. A special organ of the League was designed to standardise and raise the conditions of labour throughout the world.

Here are five principles that must unquestionably be applied if humanity is ever to create a peaceful world. Yet in respect of every one of them the work done by the treaty makers has been subjected to damaging criticism and in greater or less degree has been, or is being, undone.

Take first the aim of liberation. The nations of Europe are so inextricably mixed that it is not possible to draw boundaries which will give complete effect to the principle of racial or national unity. But the bias of Paris was so

strongly in favour of the victors that new difficulties were created which might have been avoided. One of these cases, namely the prohibition of the union of Austria and Germany, is to be reckoned among the major causes of the desire of the German people to destroy the dictate of Versailles. The case of the Sudeten Germans is rather different; for the result of the Munich settlement has shown how impossible it is in such a case to draw a satisfactory boundary on purely ethnographic principles; in any attempt to do so, the remedying of one set of defects only creates others. It is a pity that in discussing this question Mr Lloyd George should have allowed himself to betray his personal animus against Dr Benes, which has undoubtedly led him to belittle the character and achievement of that distinguished democrat. Mr Lloyd George, however, fully realises that the way to deal with these boundary problems is not perpetually to draw and redraw them but to make them unimportant by a liberal regime of international trade and by a proper treatment of minorities.

The vindication of international right by assigning "war guilt," by seeking to bring the guilty to trial and by exacting reparations may be justified on abstract grounds; but in practice it has proved the greatest failure of all. The reparation provisions, which were drafted in defiance of the opinion of British experts, but relieved the feelings of an incensed and heavily overburdened world, collapsed of their own weight; while the attempt to bring the Kaiser to justice faded away as soon as passions cooled. Mr Lloyd George defends the assigning of war guilt to Germany and rejects the argument that the people of a country may be differentiated from their rulers; but it is not surprising that a new generation should resent condemnation pronounced not by any tribunal but by victors on the field.

As to disarmament, it would undoubtedly have been better if a specific timetable and some rudimentary principles of general application had been laid down in Paris. But in the then atmosphere, it is not surprising that the Allied and Associated Powers limited themselves to general promises which in the sequel were dishonoured.

In many of these matters the settlements reached were compromises containing evident defects. But the defence of the Treaty makers is that, in the abnormal conditions of public opinion that then prevailed, it was impossible to attain perfection. They therefore resorted to the device of the clause in the Covenant providing for the revision of Treaties which prove to be in need of amendment. The clause has not been used, and events have confirmed the critics who complained that the League was a concealed alliance of victorious Powers designed to preserve the *status quo*. And so, for want of timely remedying, the sore places have festered until the whole body has become rotten and diseased.

As in the War Memoirs, the documents in the volumes reveal Mr Lloyd George's remarkable insight into the future, as well as his great gifts of persuasion at the conference table. His doubts about adding to the colonial responsibilities of Great Britain, his anticipation of the effects of a prolonged occupation of the Rhineland, his stand for the abolition of conscription in Germany (which was intended as a prelude to its general abolition), his fight for early and general disarmament, and his desire to discuss peace terms with Russia are examples of his wisdom that are of special interest to-day. With splendid support from the British Civil Service (who come out of the story with flying colours), he had a vision of the peace that the world needed.

That he faltered in the face of public opinion on certain points is evident from his book—notably in the matter of

reparations. He and Bonar Law, he says, regarded the conclusions of the notorious Hughes report, with its suggestion that Germany could pay £1,200 millions a year as interest on the direct cost of the war to the Allies, which was estimated at £24,000 millions, as "a wild and fantastic chimera." Again, in describing the discussion with Colonel House at an Allied Conference on October 29th, he explains that all were satisfied by the Lansing declaration, since "the Allies had no intention of putting forward any demand which would include the costs of the war." It is also true that in the famous election speech at Bristol he repeated what he said in every statement on the subject, namely, that Germany must be made to pay "up to the limit of her capacity," and that he would not be giving the whole of the facts if he told the country that we could expect every penny, for the financial experts in the Government departments were "doubtful" in view of the estimates of the wealth of Germany. But he summed up by saying (1) that we are entitled to demand the whole cost of the war, (2) that we intend to demand it, and (3) that "you will be glad to hear that the Committee of the Imperial British Cabinet believe that it can be done." At a time when wildly exaggerated ideas were rife among the general public in every country, Mr Lloyd George was one of the few who knew the truth. If he had more boldly challenged the popular sentiment of the day at the moment of victory, as he alone could have done, the course of history might have been changed.

Yet, in spite of these blemishes, Mr. Lloyd George's

defence of the Treaties, and of the personal part which he played in them, is an impressive one. The picture of the British delegation is that of a body of men who, on the whole, kept their heads relatively well in a world suffering from a stupendous emotional reaction; men who wished to be generous and long-sighted, but when up against insurmountable obstacles left it to Providence—and the League of Nations.

The Treaties are far better than they are popularly supposed to be; and they could undoubtedly have been made the basis of a durable peace if . . . And the most significant of the "ifs" raises the only point on which Mr Lloyd George admits that he has changed his mind. In December, 1918, he welcomed the decision of the American President to come to Europe in person. If Wilson had stayed at home his influence on the Conference would have been no less powerful, but the Treaty would not have been repudiated by the Senate. And if America had not pulled out of Europe, but had continued on the Reparation Commission and on the Council of the League, there is a strong probability that the hopes of the Treaty makers would have been fulfilled. And so the moral. It is as true to-day as in 1919 that, without America, the world is not ripe for a system that will eradicate aggression and vindicate the rule of justice in international affairs. Peace cannot be created out of war or out of crisis. It can grow only with careful nurture and constant and eternal vigilance. Its cultivation needs, not the tolerant acquiescence, but the active co-operation of the greatest single country in the world.

Nine Months' Revenue

THE return of revenue and expenditure issued each year on December 31st is the starting gun of the Budget season. It does not give the first glimpse of the coming Budget so much as set the field for the annual race of revenue to overtake expenditure before March 31st. The taxpayer, facing his January 1st demand note, knows against what handicap he is expected to run. This year the handicap is extremely heavy. The deficit with which the financial year enters its last quarter is £249.4 millions (excluding from expenditure the £17 millions that has already been debited to defence borrowing); this is £76.8 millions more than the deficit on January 1, 1938.

To speak of deficits, in these days of defence borrowing, is, however, to speak in euphemisms. When defence borrowing began, in 1937, the principle was laid down that the recurrent or maintenance cost of enlarged defences should be met out of revenue and only the non-recurrent cost out of borrowing. The distinction was never more than a rough and general one, since the grants-in-aid from

Defence Loan were never allocated to specific items or even sections of the estimates. The pretence was completely abandoned in 1938, when the need for a further speed-up, involving Supplementary Estimates, emerged as the Budget was being drafted. It was then provided that the whole cost of the Supplementaries should be met out of additional borrowing. What, in effect, occurs is that the revenue is charged in the Budget with such amount as the Chancellor of the Exchequer deems proper, and this figure is not thereafter subject to more than slight variations. If, as happened last year, less is spent on re-armament than was anticipated at the time of the Budget, it is the part that is borrowed, and not the part that is paid for out of revenue, that obtains the benefit of the short-fall. And if, as has happened this year, the requirements are more than was expected in the original Budget Estimates, the excess is borrowed. The effect is that, from one Budget to the next, the course of expenditure on defence is a subject of great fiscal interest, but largely divorced from the equally

REVENUE (£ millions)							EXPENDITURE (£ millions)						
	Year's Receipts			Nine Months' Receipts				Year's Issue			Nine Months' Issue		
	Actual 1937-38	Estimated 1938-39	Estimated Inc. (+) or Dec. (-)	To Dec. 31, 1937	To Dec. 31, 1938	Inc. (+) or Decrease (-)		Actual 1937-38	Estimated 1938-39	Estimated Inc. (+) or Dec. (-)	To Dec. 31, 1937	To Dec. 31, 1938	Inc. (+) or Dec. (-)
Income Tax	298.0	341.2	+ 43.2	90.0	99.7	+ 9.7	Interest and Management of the National Debt	216.2	230.0	+ 13.8	183.3	184.6	+ 1.3
Surplus	57.1	62.0	+ 4.9	10.8	12.6	+ 1.8	Payments to N. Ireland	8.9	8.9	...	5.3	5.7	+ 0.4
Estate, etc., Duties	89.0	88.0	- 1.0	68.2	56.8	- 11.4	Exchequer	...	...	...	...	...	...
Stamps	24.2	24.0	- 0.2	16.2	15.3	- 0.9	Other Consolidated Fund	3.1	5.2	+ 2.1	2.2	1.9	- 0.3
National Defence Contribution	1.4	20.0	+ 18.6	0.06	13.3	+13.2	Services	...	...	...	...	...	...
Customs	221.6	227.9	+ 6.3	168.0	169.6	+ 1.6	Post Office Fund	...	...	...	...	...	...
Excise	113.7	116.2	+ 2.5	88.4	88.2	- 0.2	Supply Services	...	...	...	...	...	...
Motor Duties	34.6	36.0	+ 1.4	11.6	11.6	...	Army, Navy and Air	197.3*	255.7*	+ 58.4*	172.9	238.0*	+65.1*
Other Duties	1.7	1.2	- 0.5	0.5	0.7	+ 0.2	Votes	407.8	446.7	+ 38.9	287.5	309.7	+22.2
Total Tax Revenue	841.3	916.5	+ 75.2	453.8	467.8	+14.0	Civil & Revenue Votes (exc. Post Office)	...	...	...	...	...	...
Non-Tax Revenue	31.3	28.2	- 3.1	24.8	22.6	- 2.2	Total Ordinary Expenditure	833.3	946.5	+113.2	651.2	739.9	+88.7
Total Revenue	872.6	944.7	+ 72.1	478.6	490.4	+11.8	Sinking Funds	10.5	...	- 10.5	6.7	7.0	+ 0.3
SELF-BALANCING REVENUE AND EXPENDITURE													
Post Office and Broadcasting	76.1	80.4	+ 4.3	55.5	58.7	+ 3.2							

* "The Truth about the Peace Treaties," by D. Lloyd George. (London) Gollancz. 2 Vols. 18/- each Vol.

* Exclusive of amounts spent under the Defence Loans Act as follows:—1937-38, £64,867,000 actual; 1938-39, £112,900,000 estimate; nine months to December 31, 1938, £17,000,000.

interesting question of the outcome of the Budget. With this introduction, the following figures of total defence expenditure (including borrowings) may be inserted almost parenthetically:—

	DEFENCE EXPENDITURE (£ millions)			
	1935-36	1936-37	1937-38	1938-39
First quarter	27.5	37.5	46.3	65.8
Second quarter ...	30.3	41.2	58.3	86.4
Third quarter	37.3	48.0	68.3	102.9
Fourth quarter	41.8	59.4	89.3	—

The last quarter, it will be noticed, shows much the largest increase in comparison with the corresponding quarter of the preceding year of any figure in the table. It is very nearly three times as much as was being spent three years ago and actually more, in a single quarter, than was spent in twelve months six years ago. The estimated total defence expenditure for 1938-39 is £368.6 millions. If the estimate were exactly realised, there would accordingly be £113.6 millions still to come. Estimates, being maximum permissible figures, are never fully realised. But the pace at which defence expenditure has been accelerating would seem to require considerably more than £113.6 millions to be spent between now and March 31st. If the increase is proportionately the same as last year, the expenditure in the final quarter will be something like £134 millions and further Supplementaries of over £20 millions will be required.

Whether this is so or not, it will presumably not affect the total inserted for the defence services in the table of expenditure to be met out of revenue—which is all that comes into question in determining whether there is what is still formally called a surplus or a deficit. Similarly, the expenditure on the National Debt is fixed, any sum not required for interest and management going automatically to the sinking fund. The total under this head on March 31st will be the £230 millions provided in the Budget (unless, indeed, interest and management require more than £230 millions, which does not appear in the least likely). The only possibility of a serious divergence of the formal total of expenditure from that estimated in the Budget lies, therefore, in the cost of the civil supply services and revenue departments. These (excluding the Post Office) were estimated to cost £39 millions more this

year than last. With nine months gone, the increase has been £22.2 millions, which is less than three-quarters of the amount estimated. The last quarter's expenditure, however, is always the heaviest of the four, and the final saving is not likely to be more than about £6 millions. The taxpayer's task is lightened by only this comparatively small amount.

The Budget estimates of revenue foresaw an increase of £72.1 millions over last year's yield. The £6 millions expected short-fall of expenditure would make it possible to balance the Budget on an increase of £66 millions. This, on a total revenue of £872.6 millions, represents an increase of 7.6 per cent. In the first three quarters the actual realised increase has been by less than 2.5 per cent. This is not, of course, a fair basis of comparison, as the increases in income tax imposed in the 1938 Budget can hardly affect any receipts before January 1st. In point of fact, however, the inflow of income tax has not been unsatisfactory; the deficits are shown in those taxes which are collected fairly regularly throughout the year. Thus death duties (of which, last year, nearly 77 per cent. were collected before the end of December) were estimated to bring in £1 million more over this year as a whole, but have actually brought in £11.4 millions less in nine months. There is clearly going to be a short-fall of actual receipts below the estimate of at least £10 millions, and possibly more, in this item. Customs and Excise, expected to produce £8.8 millions more, have increased by only £1.4 millions; there is another prospective deficit of £6 or £7 millions here. Stamps, expected to fall by £200,000 in the year, are £900,000 down in nine months. The motor duties may also not yield the full increase expected.

Prophecy at this stage of the financial year is dangerous because of the predominant influence of direct taxation payments in the March quarter. But these receipts will have to be unexpectedly heavy if a deficit of more than £10 millions is to be avoided. This, in itself, is an unpleasant conclusion. But it has even less bearing this year than usual on the shape of next April's Budget. That will be determined by the size of the increase in defence expenditure and by the sum that the Chancellor decides to raise by borrowing. Both these amounts are likely to be so very large that a mere formal deficit of £10 millions or so becomes almost unimportant.

Topics of the Week

Opposition Grows.—It would be a rash rendering of present trends in politics to forecast the early downfall or disintegration of the Government. Yet it cannot be gainsaid that Mr Chamberlain will set out for Rome with uneasy recollections of the past few months in the domestic as well as the diplomatic arena. The maintenance of peace has been received with heartfelt gratitude; but the particular means chosen to preserve peace, the Munich settlement, has fallen flat at home no less than abroad; and within the ranks of the Government's own supporters unrest has risen on three counts: foreign policy, defence and agriculture. No leader has appeared to weld the dissentients within and without the Conservative fold into an active opposition group; Mr Eden, for excess of scruple or absence of resolution, or subtlety of calculation, has confined his criticisms to the realms of general discourse and social philosophy; Mr Churchill has reserved his sharpest and most polished darts for Herr Hitler; and the much publicised private meeting on Wednesday, organised by Mr Duncan Sandys, and some others, and attended by persons of all parties alarmed by defects in defence and maladroit diplomacy, reveals no more than a hand-sized cloud on the horizon. Nevertheless, a large part of the public is unconvinced that the country's defences are in fact being decisively improved; and in farming areas dis-

content, skilfully manipulated by organised agricultural interests, has become a ferment. At the recent Kinross election Tory loyalty and inclement weather foiled the gallant attempt of the Duchess of Atholl to ride back to Parliament on an anti-appeasement policy. It is not so certain that Mr Chamberlain will score over the farmers at the forthcoming East Norfolk election. There local farmers and Conservatives have decided to back Mr Wright, an independent Conservative. But the Government are sponsoring Mr Medicott, a Simonite Liberal; and there will be a Labour candidate in the field. Should mischance befall the Government in a constituency which is by nature theirs, they will have the consolation of knowing that they have fallen down in the field in which, of all the criticised items in their programme, they are least culpable.

Air Defence Doubts.—The time is now near when the indignation felt by members of all parties about the Government's laggardly progress in civilian defence may become a political menace to Mr Chamberlain and his colleagues. Sir John Anderson was called in to organise air raid precautions and home defence because he had deservedly won fame for strong and forthright action in

varied fields. It may yet prove that Sir John has a plan which will allay anxiety and the determination to implement it with speed and decision. The publication of the new Home Office handbook on defence is eagerly waited. But so far the new Minister's efforts have earned no more lustre than the sad failures of the two Home Secretaries, Sir John Simon and Sir Samuel Hoare, who have tried unsuccessfully to grapple with air raid precautions. Public uneasiness is on the increase, and it is the more serious because a full three months have passed since the September crisis showed England and, above all, London open to marauding attack from the air. It is true that the output of airplanes and the supply of anti-aircraft artillery have markedly increased since then. It is true, too, that the Government have consented to add plans for shelters and evacuation to the anti-gas and anti-fire policy upon which previously they stubbornly relied. But in no case do they seem ready to do the job thoroughly and with expedition.

Sir John's intention to spend £20 millions on basement and lean-to shelters is condemned by a majority of experts as inadequate and, by Spanish experience, actually dangerous; even the Government's greatest well-wishers describe it as an interim measure; and this is most emphatically no time for provisional steps. The plan that has been approved whereby the Central Electricity Board is to organise a reserve of essential switchgear and transformer equipment was imperatively needed; but its scale (the cost is to be £3 millions, with 50 per cent. from public funds) is woefully inadequate. And in the earlier-established fields of home defence action is no more positive and public confidence no more pronounced. In London the auxiliary fire services are starved for lack of accommodation and equipment; they have a bare tenth of the stations needed and a mere fifteenth of the trailer pumps required; and, although just over half the firemen needed have been enrolled, training conditions in the main fire stations are seriously congested. The Home Office and the London County Council are at loggerheads about anti-fire policy as well as shelters; employers up and down the country are restive about the cost of protecting their workmen; and 40 million gas masks are becoming useless in private homes. Local authorities are looking for a lead. The whole community wants prompt action and a plan for real security; and, as the weeks pass without decisive steps being taken, the enthusiasm of volunteers is dimmed. No Cabinet can seem to gamble with the people's safety and survive.

German Submarines.—According to an announcement published on December 30th, the German Government has recently notified the British Government, in accordance with the procedure laid down in the Anglo-German Naval Agreements of June 18, 1935, and July 17, 1937, of its intention to exercise its rights of naval expansion under those agreements. Representatives of the Admiralty flew to Berlin and returned after two days' discussion, and a written explanation of the German motives is to follow. But there seems little expectation on the British side that Germany will be induced to modify her intentions—which are, apparently, to build up to the maximum strength allowed her in submarines by the Agreement of 1935, and in "A class" cruisers by that of 1937. Under the 1935 Agreement Germany agreed to limit her total tonnage to 35 per cent. of the total British tonnage, and for the most part the same ratio applies to each category of ship within the total; but (at the expense of other categories) Germany may, if she wishes, have parity in submarines. For the time, she consented not to go beyond 45 per cent.; to-day, apparently, she wants her full 100 per cent. In cruisers, Germany is entitled under the 1935 Agreement to five "A" class cruisers (of 10,000 tons, mounting 8-in. guns), but in 1937 she agreed to content herself with three unless "special circumstances" arose. It is these "special circumstances" (in the form of Russian construction) that have now arisen. The legality of Germany's present step is not in question; its technical

effect is discussed below; but its psychological and political effect cannot be left out of account, and in this intangible coin the material advantages of the new German move, however great in themselves, will be dearly bought. "Submarines," and *a fortiori* "German submarines," are words that still make English ears tingle.

Are the additional German submarines and cruisers aimed primarily against Great Britain or against Russia? It is here that the technical considerations come in. Germany at present can dispose of 54 completed submarines, of 20,263 tons, and 17 under construction, of 11,019 tons. Of those that are complete 32 are vessels of 250 tons, of limited radius of action, ostensibly intended for service in coastal waters and the Baltic, though some have been as far as the Mediterranean. British strength in under-water craft includes 54 completed craft of 57,349 tons, of which ten are old vessels of war design; and 15 under construction, of 16,780 tons. Taking the totals for each country, the German figure is 31,282 tons against the British 74,129 tons. Thus Germany is at present 2,000 tons below the 45 per cent. ratio to which she has hitherto restricted herself, though in number of units she has already drawn level. The Soviet Navy, ostensibly the excuse for the German desire to expand her allowance to 100 per cent., undoubtedly possesses more submarines than any other. Though no official figures are available, a careful estimate places Russia's strength to-day at 134 submarines in service and about 30 building. Not more than eight of these are of obsolete design, but about 40 are small vessels comparable with the German 250-tonners. There is thus some justification for the German increase—were it not for the fact that the answer to submarines is not submarines but destroyers. The Russian submarines may be the occasion for Germany's new programme, but it is British merchant shipping that is, inevitably, most directly threatened.

President and Congress.—The Congress to which Mr Roosevelt delivered (in person, as is his, and was Wilson's, custom) his annual Message on the State of the Union on Wednesday is far less likely to be amenable to his control than any of its three predecessors during his term of office. Mr Roosevelt, however, neither speaks nor acts as if he were prepared to compromise with his domestic critics. His nominations to the two vacancies in his Cabinet are eloquent of the continued firmness of his views. The Secretaryship of Commerce has been awarded to Mr Harry Hopkins, the New Dealer *par excellence*, and the head of the Works Progress Administration which, whether because of its enormous expenditure on providing work relief or because of its alleged excursions into local politics, has been more criticised than any other New Deal agency. The nomination for the Attorney-Generalship has gone to Mr

EQUITY & LAW LIFE ASSURANCE SOCIETY

All Classes of Life Assurance transacted

- Death Duty Policies at low rates
- Endowment Assurance with Profits
- Family Provision Scheme

For full particulars apply to the Manager:

20 Lincoln's Inn Fields, London, W.C.2
Established 1844 Funds exceed £29,000,000

Frank Murphy, who as Governor of Michigan (he was defeated for re-election in November) gained the support of the unions and the suspicion of many other people by his lenient attitude toward "sit-down" strikes in the motor industry. Both these appointments have to be confirmed by the Senate, although for sixty years no President has been refused a free hand in appointing his executive assistants. But the confirmation will come with a bad grace, and what will be said before it is granted will not improve the relations between the Capitol and the White House.

* * *

These domestic disputes lend an added impressiveness to the general approval with which those passages of the President's Message which dealt with foreign affairs were received by his Congressional audience. The keynote of the Message was one of earnest warning—both to the American people lest they take with insufficient seriousness the threat to their liberties inherent in the advance of autocratic regimes, and to these regimes themselves lest they assume that the American democracy would not ultimately exert all its resources "to defend, not their homes alone, but the tenets of faith and humanity on which their Churches, their Governments and their very civilisation are founded." Although the President did not of course commit himself or the American people to deliberate intervention in the affairs of the world, still less of Europe, he did point out that, by her neutrality legislation, the United States was not merely not playing an adequate part in combating aggression, but through these laws "may actually give aid to an aggressor and deny it to a victim," and that "the instinct of self-preservation should warn us that we ought not to allow that to happen any more." America must be prepared for external action, more than ever now that "the world has grown so small and the weapons of attack so swift." There must be armed forces and defences, organisation of key facilities, and above all an "underlying strength of citizenship, the self-confidence, ability, imagination and devotion that give a State power to see things through." Already important Americans such as Senator Pittman have chimed in with agreement of the views expressed in the Message; and if Senator Nye, for instance, has made reservations on intervening against aggressors, he too has declared for amendment of the neutrality Acts. Details of the President's special message on defence recommendations and of other points in the Message will appear in *The Economist* for next week. But these brief references may serve to emphasise the fact that the President, who in the past has to his loss run ahead of American public opinion, is doing so no longer, and to make clear that the great changes going on at home and abroad will neither weaken President Roosevelt's domestic position nor the cause of democracy in the world.

* * *

The American Note to Japan.—If the Japanese really expected either China or the West to fall in with Japanese plans for a Japanese ascendancy in Eastern Asia, they have been sharply rebuffed on both fronts. Mr Wang Ching-wei, having issued a manifesto in favour of peace negotiations, has now been expelled from the Kuomintang for life; his own former supporters in the Government at Chungking have ranged themselves behind President Chiang Kai-shek; and the plot, if there really was a plot, to suborn the Governor of Yunnan, and so to close China's back door into Burma, seems to have miscarried. That is China's answer to Japan, and the answer of the West has been delivered, almost simultaneously, by the United States Ambassador at Tokyo in a Note which expresses the sentiments not only of America, but of all the Western democracies. The American Note explicitly and emphatically rejects the suggestion that the rights of third parties in China can be affected by Japanese claims based on the results of Japanese aggression. It rejects Japan's claim "to constitute herself the repository of authority and the arbiter of destiny in the creation of a 'new order' in

areas not under Japanese sovereignty." It further argues that the measures that Japan has been taking, on the strength of this claim, which the United States refuses to accept, constitute an unfair discrimination against American nationals and arbitrarily deprives them of their long-established rights of equal opportunity in China. The note includes an offer to negotiate with both China and Japan on the questions raised by the action that the Japanese have taken. This offer, however, is apparently not expected to lead to any very fruitful results; and the Note is written under the shadow of the reprisals which the United States has it in her power to take if Japan does not show herself amenable to courtesy and reason. The President has the power, under existing legislation, either to exclude Japan from most-favoured-nation benefits (as has already been done to Germany) or, if the discrimination continues, to exclude Japanese goods altogether; and, if Japan bought a trade monopoly of Eastern Asia at either price, she would be making a disastrously bad bargain. It is inconceivable that Japanese business men do not know this: all the same, Prince Konoe's Government has fallen, and what was thought to be the last defence of moderation has gone down before the coming of the fiercely nationalist Mr Hiranuma. Japan evidently means to spare herself no more than she will spare China.

* * *

France and Finance.—A casual observer of the course of the French Budget through Parliament might be excused for thinking that it was debated largely during the hours of darkness; and a more careful examination does not quite remove the feeling of nightmare. Back and forth between the Chamber and the Senate went the mutilated text, with the clocks ticking remorselessly toward the New Year until, on December 31st, Time had to stand still for twenty-four hours, with one Finance Committee doggedly cancelling out the other's work, with exasperation and exhaustion racking everyone except, it seems, the Minister of Finance himself—until at last M. Daladier pushed the Senate's amendments through the Chamber's Committee by making them questions of confidence. The main troubles were two: M. Reynaud's "axe" committee and the provision compelling banks to report on dividends collected for their clients. The first was the Senate's fancy, the second the Chamber's. Appointed to do precisely what its name implies, the Reynaud Economy Committee actually comes out little scathed. In its final form, after both Chamber and Senate had done battle over it, the clause relating to dividend reports obliges bankers to make a return, on February 1, 1940, of all dividends collected for customers in 1938 and in 1939, instead of making it, as its promoters desired, in the first quarter of 1939; but practical difficulties may be a bigger obstacle to the measure's effectiveness than the Senate's intervention. On Tuesday, as noted in our financial columns, the Bank Rate was reduced from 2½ to 2 per cent., and new financial proposals may be expected to benefit accordingly. With the Budget and two successful conversions launched, and with M. Reynaud's further ideas being considered by a public more disposed to be cheerful than for a good time past, the Government's position, and with it M. Reynaud's, is stronger than when they were appointed. But there can be no respite in determination. Much remains to be done. The working-classes have made and are making their contribution; it is now M. Daladier's duty and, indeed, supreme necessity to prove to them that they are not alone in their sacrifices.

* * *

New Year Honours.—The New Year Honours list is a routine roster, and it is seldom that the tradition of rewarding party services and administrative merit is appreciably departed from. Last Monday's list was only remarkable because the awards reflected to some degree the diplomatic dangers and excitements of the autumn—sufficiently so to secure the suppression of the list in the Prague press. Mr. F. T. A. Ashton-Gwatkin, who went with Viscount Runciman to mediate in Bohemia, was

made a Companion of the Bath, as was Mr Strang, who squired the Prime Minister on his aerial trips to Germany. Other awards were given to Sir Alexander Cadogan, Permanent Under-Secretary for Foreign Affairs; Sir Nevile Henderson, Ambassador in Berlin; Mr B. C. Newton, Minister in Prague; Mr F. R. H. Millar, assistant private secretary to the Foreign Secretary; and Mr J. M. Troutbeck, secretary at the Prague Legation. And the full list of 900 names included several A.R.P. and home defence workers. Apart from crisis credits, the outstanding items were the conferring of a Barony on Sir Maurice Hankey, until recently secretary to the Cabinet and repository of a generation's State secrets; the award of the Order of Merit to Sir James Jeans, the philosopher scientist, and, confirming the fighting services' strength in the Order, to Admiral of the Fleet Lord Chatfield; the conferring of the G.C.M.G. on Lord Hailey, whose monumental "African Survey" was a high-light of last year; and the appointment as Privy Counsellors of Mr R. A. Butler who has made a name (even under the shadow of Mr Chamberlain) as Under-Secretary for Foreign Affairs during the past ten months, and of Captain Crookshank, whose thankless task it was as Minister of Mines to ferry the battered Coal Bill wearily to port. On the whole 1939 was greeted with the honours list 1938 deserved.

* * *

Naval Changes.—No news is proverbially good news, and the silence of the senior fighting service has been comforting during months of hot debate about the progress of other arms. The smooth efficiency of the navy's mobilisation last September was welcome, but not unexpected, and not even the excitement lately caused by Germany's plans to increase her underwater and cruiser strength has brought to light any tales of naval deficiencies, though more medium-size anti-submarine destroyers will now be needed. Recent information suggests that the reorganisation occasioned in the fleet by the rapid development of air and artillery technique is proceeding according to plan. Eighteen months ago it was decided to transfer the Fleet Air Arm to the sole control of the Navy. Now it is announced that the personnel of the Air Arm will be increased from 3,000 to 10,000 by 1942, and that a new repair base is to be built for planes and aircraft carriers. The Navy has already seven aircraft carriers, and five more are being built, and since it is planned to furnish the Fleet with over 700 ship-borne planes, still more carriers will be needed, in addition to equipping all battleships and cruisers to carry aircraft. From next Monday the Admiralty's Air Material Department is to be strengthened to cope with repairs and maintenance and to co-ordinate the supply of equipment. It is the magnitude of these tasks and the recruitment of skilled maintenance personnel which makes the transfer of the Air Arm from the Air Ministry a long drawn-out job; when the four-year plan is completed, something like one-third of the fleet's man-power will be in the air or on the air ground staff; and, with its planes and anti-aircraft gunnery equipment, the British navy, which is reputed to have increased its fire-power by 33 per cent. in the last three years, will still be supreme in European waters.

* * *

Labour's Claims.—1938 can be written off in trade union annals as a much more satisfactory year than might have been expected in view of the sharp and steep recession which beset British industry and commerce. Wages continued to climb until after the middle of the year; there were no appreciable inroads into established pay and conditions; and the trade unions entered the New Year with a swollen membership of 5,000,000. The testing time is now due, for claims involving over 2,000,000 workers in the engineering, railway, hosiery and distributive trades are still pending. In engineering and on the railways the workers' demands have already been declared financially impossible by the employers. In the former case, where the claims would cost an extra £30 millions or so annually, the booming state of defence branches and the size of arms profits lend some force to the unions' case,

though it is evident that, over the whole of the industry, depression rather than prosperity is the keynote. If facts rule out large-scale concessions to the engineers, still more does the parlous state of railway traffics provide a cogent answer—in the negative—to the railwaymen's claims for an addition of some £6,750,000 to the companies' wages bills: the National Tribunal could scarcely reconcile these concessions with the "square deal" thesis. In hosiery, too, the employers have said no to a request for a 5 per cent. advance in wages; while the serious background of bad trade will hardly support the campaign of the Shop Assistants' Union to bring unregulated workers within the grocery, tailoring and footwear agreements won last year for 220,000 employees. The fact is that a period of depression is no time to seek higher wages. The tactics of the claims, however, may be, from the unions' viewpoint, sound. They are at the moment on the offensive; and proposals to reduce wages are surprisingly rare. Not even the railways, whose sufferings have been so widely bruited abroad, are likely to gain much support for cutting their labour costs; and the strength of the unions in 1939 may be seen, not in their power to secure higher wages, but in the employers' inability to obtain lower wages.

* * *

No Change in Palestine.—The proposed Round Table Conference of Jews and Arabs in London has not yet met, and the shooting in Palestine goes grimly on. The sensational events of the last few days have been the kidnapping of Mr Le Bouvier and the ambushing of Sir Charles Tegart. The kidnapping seems to have been an act of straight economic brigandage without political complications, and it has had, if not a happy, at least a non-tragic ending in the release of the prisoner in exchange for a ransom. The assault on the formidable Inspector-General of Police in Palestine was more audacious; and, while Sir Charles Tegart himself escaped with his life, his staff officer, Mr J. D. Sanderson, was shot dead while trying to remove the obstacle that had been placed across the road to hold up the car. The total casualties in Palestine, on both sides, like the social and political conditions which they reflect, approximate to those in Macedonia under Turkish rule during the decade immediately preceding the Balkan Wars; and it is impossible to understand the Government's delay in calling the Round Table Conference which they have substituted as a stop-gap in lieu of partition, after having sat on the Peel Commission's Report for a whole year before that. The one thing certain about the situation in Palestine is that time has told, is telling, and will continue to tell heavily against us. The Government ought to concentrate on getting, as rapidly as possible, a settlement which would safeguard the Jews already established in Palestine. For the creation of a new Jewish community on the grand scale, they must find some quite different territory, of large extent and with a sparse native population.

* * *

No Decision in Catalonia.—Fifteen days of battle have brought General Franco a good deal of success: they have carried his troops, it is reported, into Artesa, across the plain of Urgel, and in the southern sector to the outskirts of Borjas Blancas. His casualties are unknown, but must be large; his advance useful, but far from decisive. Once again there is emphasis on the power of the defence, of men sitting behind machine guns in strong positions, to hold up the advance even of mechanised troops. Where the defence has given way, various factors are responsible:

BRITANNIC ASSURANCE COMPANY LIMITED

(Established 1866)

Annual Income : : : : £6,700,000
Assets : : : : £30,000,000
All classes of Life, Fire, Accident,
Motor and General Insurances transacted

Chief Office: BROAD STREET CORNER, BIRMINGHAM

first, the initial violence of the attack, developed with great energy at a number of different points, would in any case have gained ground; and, secondly, it appears that the pocketing tactics, which the Insurgents have practised elsewhere, were favoured by the broken nature of the country. The Italians found an exception to this when they ran their heads against Colonel Lister's brigade in the Urgel sector: here it was a case of successful "defence in depth," and for days the Navarrese under General Solchaga, operating to the south of the Italians, were forced to mark time in case their left wing lost contact. Perhaps the most important factor in the battle is the state of Republican morale: this would seem to be undaunted, and now that the first rush of attack has passed, the defenders will be fortified by the knowledge that time is on their side, and that with every day they hold out General Franco's force grows weaker.

* * *

A Roumanian Richard II.—The "Front of National Renaissance" in Roumania continues to receive daily additions to its party roll; and this now includes many of the country's leading politicians, although important names are absent—those, for instance, of MM. Dinu and Jorge Bratianu, of M. Maniu and of Professor Jorga. The new single party, Fascist in appearance, merely puts into theory King Carol's political practice since the meteoric rise and fall of M. Goga last winter; and it is a tribute to the King's perseverance and political talent that, after years of compromise and intrigue with and against Liberals, National Peasants, factions like the Cuzists and the Roumanian Front, and latterly the Iron Guard, he should at last bring into being his own ideas on what Roumanian government ought to be. The general lines of the new party, if not the finished constitution, are now available. Membership will be open to Roumanian citizens over 21 (except soldiers, certain civil servants, and Jews; but including Magyars and Ukrainians): and in elections only candidates nominated by the party will be permitted to stand. The hierarchy will graduate downwards from the King, who is now supreme executive head of the State in name and in fact. With ministers under him such as MM. Calinescu and Gafencu, he may in time be able to "clean up" Roumanian politics. His task now is to sit securely in the seat of power. It remains to be seen whether the peasants will stand for losing what small political liberty was left to them; whether the King will be able to carry on a totalitarian economy without the co-operation of those members of the old Liberal Party who have not yet "made their peace with him"; and, again, whether he is capable of evolving a "corporative" system which will neither strangle those it seeks to govern nor itself be strangled by sheer pressure of events. If he fails, it will be largely his own fault; and if he succeeds, democrats may be consoled by the reflection that, so far, the King has shown himself a wise tyrant who, if not up to Platonic standards, at least is incomparably better than a Goga or a Codreanu.

* * *

The Italian Budget.—The following tables show the course of Italian public finance in recent years, and the new Budget estimates:—

	Years to June 30					
	1935	1936	1937	1938	1939	1940
	Estimates					
Revenue	18,817	20,371	24,702	20,597	25,072	24,561
Ordinary expenditure	14,670	16,142	23,413	23,770	25,035	29,316
Surplus (+) or Deficit (-)	+ 4,147	+ 4,229	+ 1,289	- 3,173	+ 37	- 4,755
Extraordinary expenditure	6,177	16,915	17,519	9,000*	?	?
Net Deficit	2,030	12,686	16,230	12,173	?	?

* Estimate made by Minister of Finance on May 18th.

EXPENDITURE ON DEFENCE AND AFRICA
(Million lire)
Years to June 30

	1935		1936		1937		1938	1939	1940
	Ordinary	Ordinary and Extraordinary	Ordinary	Ordinary and Extraordinary	Ordinary	Ordinary and Extraordinary	Ordinary	Ordinary	Ordinary
Army	2,476	3,014	2,371	7,452	2,627	9,439	2,491	2,591	3,406†
Navy	1,164	1,314	1,612	2,852	1,767	3,424	1,793	1,943	2,704†
Air Force	725	886	849	2,319	1,046	3,708	1,250	1,265	2,165†
Africa	8	945		4,136	13	7,182	1,614	1,785	1,897
Total	4,373	6,159	4,840	16,759	5,453	23,755	7,148	7,584	10,172

† Total ordinary defence expenditure is estimated at 8,275 million lire, but another 1,750 millions have been allotted, if required.

Conclusions which legitimately may be drawn from figures that always require careful handling reveal a rather dark picture, and point to the drastic consequences on poor countries of the international arms race. The figures for 1938-39, the third "post-war" year, when expenditure in Spain was still high though definitely falling, show a paper surplus of 37 millions; and reckoned against the unannounced extraordinary Budget, this means a deficit of perhaps 6 to 8 milliards. It was thought earlier that extraordinary expenditure would be less than in 1937-38, but this calculation may have been thrown out by the additional 1.2 milliards allocated recently for new armaments. The estimates for 1939-40, when actual war expenditure may be put very low, show a paper deficit of 4.7 milliards (about £52 millions at par). This deficit may be attributed to three main factors: increased defence estimates, new capital expenditure related to self-sufficiency plans, and, less certainly, an inclusion of at least part of the extraordinary Budget in the ordinary Budget. The latter assumption rests on the decision to show a paper deficit after years of paper surpluses in times of high extraordinary expenditure, and, if true, may mean either that expenditure is really being cut down or that the extraordinary estimates are being kept low in anticipation of a possible emergency. Signor Mussolini's root problem, now that his series of capital levies has been completed with the levy on private businesses of last November 7th, is to find sources of revenue with which to cover this extraordinary expenditure. Balancing the Budget on paper may cause him small worry: finding hard cash is another matter. That search for hard cash must at bottom depend for success on increased production and on improved foreign trade. And for neither of these desirable things are the signs very favourable.

* * *

Economies at Geneva.—The world is re-arming: and the League of Nations, by a natural contrast, is cutting down expenses. The diplomats have gone home: now it is the turn of the officials; and at least some of the lights Mr Churchill has spoken of will now go out. Count Carton de Wiart's special committee on League expenditure, which met recently in Brussels, recommended last Friday that salaries and charges be reduced by 6,750,000 Swiss francs (at present rates about £335,000), thus bringing down the 1940 Budget to 25,500,000 francs; and it is unlikely that the Assembly, when it discusses these recommendations, will do more than comment on them. The cuts will be made partly by combining some of the League's fifteen sections into three administrative groups. The political, disarmament, minorities, and mandates sections, in which the highest mortality among officials may be expected to fall, will form the first group; the economic, financial, and transit sections the second; and the opium, social questions, and health sections the third. A number of special expenses planned for 1940, including exhibition at the New York World Fair, anti-epidemic work in China, and a sum for settling Assyrians in Iraq, will be cut down or cut

out to save 3,685,000 francs. The I.L.O. will suffer by a reduction of 1,065,000 francs, or about one-tenth of its revenue, but it is not yet clear how this will affect its work. It is to be hoped that the economies will not be undertaken with any unnecessary rigidity of application. Some of the League's functions are clearly in abeyance; but the usefulness of others, especially those performed by the economic and financial sections, has in no way been reduced by recent events, and it would be false economy to limit their sphere of work.

* * *

Road Haulage Vehicles.—In view of the railway claim for a "square deal" as between road and rail freight carriage, the following figures, which have recently become available, are of interest. They show the number of goods vehicles operating under each type of licence, the "A" licence being for full-time public hauliers, the "B" licence for part-time public hauliers and the "C" licence for traders' own vehicles: the "A" contract licence covers vehicles reserved exclusively for one particular hirer, and such vehicles operate under conditions more closely approaching the "C" licence than the "A" licence.

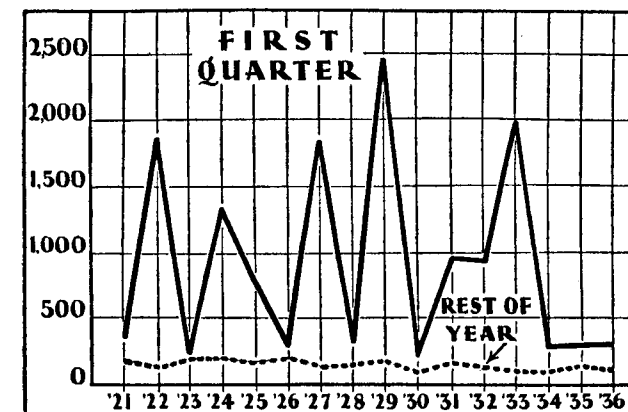
	No. of Licence Holders			No. of Vehicles		
	April, 1936	June, 1937	June, 1938	April, 1936	June, 1937	June, 1938
"A" licences	25,648	23,750	22,999	85,337	83,626	83,749
"A" contract licences	2,084	3,267	3,967	5,156	7,475	9,467
"B" licences	34,100	34,061	34,120	52,809	53,775	54,906
"C" licences	161,221	186,481	178,298	316,714	362,380	365,025
Total	223,053	247,559	239,384	460,016	507,256	513,147

The number of "A" (public haulage) licence-holders has fallen by 751, but there has been an increase of 123 in the number of vehicles under "A" licence. This would appear to be due to the fact that the number of vehicles owned by the railway companies, practically the whole of which are operated under "A" licences, have increased from 9,709 in June, 1937, to 10,257 in June, 1938. This means that, for the second year in succession, there has actually been a fall in the number of public goods haulage vehicles which may be competitive with the railways.

* * *

Births, Deaths and Diseases in 1936.—The Registrar-General's annual statistical review of England and Wales for 1936, which has just been published (not before its time), provides no striking new information bearing on the course of fertility and the future of the population. For that we shall have to await the new statistics, which have been collected since July 1st last under the recent Population (Statistics) Act. But it contains a wealth of varied facts about births, deaths and marriages. Particularly interesting is a special examination of the connection between occupation and mortality. The inquiry, which relates to the years 1931-34, reveals that "the effects of the older and heavier industries upon the health of towns, which grew up around them, though less than in 1911-14, are still apparent." Tyneside, the coastal towns of Durham and the county boroughs, a considerable proportion of whose population is engaged in the textile industry, seem to be among the least healthy parts of the country. The most healthy towns, as one would expect, are at the sea-side; next to these come inland towns in which there is little mining or manufacturing, and London's outer ring. Maternal mortality showed a welcome, though not necessarily significant, drop in 1936. But the risk of death in child-birth is still little lower than before the war and there are striking variations from region to region. The risk is highest in South Wales, where it is between two and three times as great as in Greater London. The infant mortality rate (ratio of deaths of children under a year to total live births) moved in an opposite direction to maternal

DEATHS FROM INFLUENZA PER MILLION
POPULATION (ENGLAND AND WALES)



deaths, rising slightly in 1936 as compared with the preceding year, but it is still about half what it was before the war. The decline in infant deaths has been progressively greater throughout the first year of life. Infant mortality is still lowest in rural areas, but the handicap of the urban child has diminished and is diminishing. Among causes of death, at all ages, it is interesting that, while measles and other infectious diseases take a larger toll of life in the urban areas, the death rate from influenza is much greater in the countryside. It is also a curious feature of influenza that in January, February and March it has a high death rate, which varies tremendously from year to year, but in the remaining months the death rate is low and fairly stable.

* * *

New Laws.—Preoccupied by defence, foreign policy and crises overseas, Parliament found little time last year to add outstandingly to the Statutes of the Realm. The major achievements were won away from Westminster; in the agreement with Eire, which went a long way towards ending more than a century of strife; and in the trade treaty with the United States, which shone like a good deed in a naughty world of autarky and economic warfare. Yet the King's Government went on and, measured by the Acts which came into force with the New Year, last year's legislation was not inconsiderable. Once more the chief item owed its passage to the pertinacity of a private member. On January 1, 1938, it was Mr Herbert's Matrimonial Causes Act which took pride of place. Last Sunday it was Miss Ellen Wilkinson's Hire Purchase Act, which will regulate activities turning over more than £100 millions a year and affecting something like 50 per cent. of the population. The Act's aim is to prevent abuses and not to restrain trade, and reputable hire-purchase firms, as well as hirers, will be the gainers. The man or woman in the street will also benefit from the Administration of Justice (Miscellaneous Provisions) Act, which, while it effects none of the radical reforms in judicial procedure for which some critics call, will improve the competence of Quarter Sessions by encouraging the appointment of paid chairmen, simplify procedure in the King's Bench Division of the High Court, and extend the jurisdiction of county courts. Still more clearly will widespread gain be derived from the Widows', Orphans' and Old-age Contributory Pensions (Voluntary Contributors) Act, actually a legislative legacy from 1937, which alters the age limit for voluntary entrants into the scheme and increases contributions, and under which specially advantageous terms were given to entrants on or before last Monday. The Young Persons (Employment) Act will fill an important gap in factory and workshop legislation by fixing a maximum working week, meal-times and half-holidays for some 60,000 errand boys, page boys and cinema operatives under the age of 18. In all, the New Year list of new laws, which also includes Acts to regulate nursing homes and the registration of still-births in Scotland, if scarcely exciting, at least epitomises the detailed day-to-day provision which the care of a modern community imposes upon its representatives.

Overseas Correspondence

From Our Special Correspondents

United States

Anglo-American Comparisons

NEW YORK, December 24.—At the end of 1936, the Dow-Jones average of industrial share prices was about 190, and the Federal Reserve Board's index of production stood at about 120. At the end of 1937 the Dow-Jones average was about 125 and the index of production about 80. At the end of 1938 the Dow-Jones average was about 150 and the index of production about 100. During this period of two years, long-term Government bonds were unusually stable, with a general tendency to rise. At the end of 1936 an issue of long term 2½ per cent. bonds was made; while at the end of 1938 an issue of long-term bonds was made at 2½ per cent. But the period of maturity had lengthened, and the type that commanded 2½ per cent. at the end of 1936 enjoyed a market two years later in the vicinity of 2 per cent.

The past two years have witnessed certain interesting cyclical phenomena. While the downward trend of production was not decisive until the autumn of 1937, there were certain ominous warnings that came before—in particular, the fall in commodity prices and building activity in the second quarter of 1937. In the same way, while the upward trend did not appear until the third quarter of 1938, it came after an upward trend in building in the second quarter.

It is possible to draw certain parallels and contrasts between the British and American economies during this period. Between August, 1937 (when the market touched a figure only a little under the winter high-point), and June, 1938, our share market fell almost exactly 50 per cent., but the recovery has left it at the end of 1938 about 25 per cent. below the general level of the winter of 1936-37. Indices of British share values show a current level of about 30 per cent. below the level of two years ago. Thus the net change in the two markets in two years has been almost identical; but while our market has undergone a 50 per cent. collapse, followed by a 50 per cent. recovery, British shares sagged gradually until about March, 1938, and then flattened out. Oddly enough, the three distinct breaks in the British share market in 1938 (the slumps in March, May and September) had counterparts in the American market; one difference is that in London each of the slumps was associated with international political crises, while in America the March and May declines were attributed to the state of domestic business.

Contrasted Economic Trends

In production, it appears that the American decline came before the British. It was sharply reflected in the index for the third quarter of 1937; and although there was some setback in England at about the same time, recession was not thought to have really set in until the end of the first quarter of 1938. The improvement in British industry in the closing months of 1938 could not be compared to the meteoric uprush across the Atlantic. Yet just as the end of 1938 finds American economic activity about 15 per cent. below the peak of the previous comparable period, so the end of 1938 finds activity in Britain below its usual seasonal level by a somewhat similar figure. In production as in the share market, we arrived at our goal by a dizzy collapse and sharp rebound; in England it was reached by a slow sag and a subsequent levelling-out.

In the case of the long-term interest rate in the two countries, there would appear to be a real divergence. Thus, in the past two years, the rate on long-term Government securities in England has risen by something like ½ per cent., while in the United States it has fallen by a somewhat smaller fraction. This leaves British War Loan close to a 3½ per cent. current yield, while the longest-term United States Government bonds currently yield 2½ per cent.—an apparent difference of about ½ per cent. In 1937 and 1938 a perceptible hardening of the long-term rate in London, and a softening of it here, has been evident. But one could as readily argue that the net effect of the two movements has

been rather to bring the two rates into closer alignment than to make them diverge. This is the more remarkable in the absence of much direct communication between the two markets. There is, of course, a good deal of communication between the share markets of New York and London; and for some time it has been believed in New York that, on current dividend, the London market was the lower of the two. But as share prices are commonly affected by thoughts for the future as well as for the present, and as earnings and dividends here are supposed to be rising, this belief is not carried beyond the point where the difference between the two markets does not of itself portend a flow of capital from London to New York. This is quite a different situation from that prevailing, say, in the last half of 1936.

New York and London

Beginning at the end of 1936, there has been one rather distinct change in relations between New York and London; that is that the sterling exchange is about 30 cents, or about 5 or 6 per cent., lower now than it was then. This may be ephemeral; but all the items considered in this retrospect—share prices, bond prices, production indices—are subject to change; and the argument is that only relatively long swings in these items can afford any basis for considered conclusions, and then only after they have for the most part receded a little into the past.

A retrospect such as this should not entirely omit reference to commodity prices. But commodity prices, once one of the stock items of international comparison, are now of dubious comparative value. Even where true international markets still exist, the forces which control them largely vitiate attempts at comparison. If the Board of Trade index is compared with that of the Bureau of Labour Statistics, it will be seen that our price rise started later in 1936, advanced less, began to decline a little sooner, and in 1938 was apparently stabilised earlier. The net result is that our index (78 in October) is firm, or 6 per cent. below November, 1936, while the Board of Trade index in October was almost the same as in November, 1936. The two indices are not at all comparable in structure; but their general movement has been distinctly similar.

It would seem that in the broad swings the American and British economies move together; but that in the shorter swings they are capable of independent movements probably of greater amplitude and disparity than formerly. In the past decade both countries have made great strides in the direction of economic self-sufficiency; but they seem still fated to share a good deal of common economic experience.

In London one often hears the expression that British recovery or depression "depends" upon America. The record does not give much evidence of this. Rather it shows that the two economies interact on each other; that, at any given time, either of them may be exerting the decisive influence; and that the two still have a certain tendency to move in the same general direction without the leadership ever being very clear.

France

The Government's Strength

PARIS, January 5.—The latest speeches of M. Paul Reynaud threw new light on his methods. His objective is to increase industrial production in order to meet the huge public expenditure as well as to face totalitarian re-armament. The means is the granting of credits. Newly-created francs, however, might be used for speculation against the franc; the right course, therefore, is to anchor capital in the country; and this can only be done by a firm and strong policy at home the same as in foreign affairs.

So far, the Daladier-Reynaud Government has shown a firm attitude, and political developments have given them opportune, if unexpected, help. Thus the Italian claims

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Statement of Condition, December 31, 1938

RESOURCES

CASH AND DUE FROM BANKS	\$861,438,771.42
BULLION ABROAD AND IN TRANSIT	21,178,561.87
U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	639,878,092.29
STATE AND MUNICIPAL SECURITIES	121,822,947.55
OTHER BONDS AND SECURITIES	156,129,392.65
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	638,733,623.47
BANKING HOUSES	34,485,281.62
OTHER REAL ESTATE	6,796,875.46
MORTGAGES	11,297,920.83
CUSTOMERS' ACCEPTANCE LIABILITY	23,542,485.66
OTHER ASSETS	7,863,223.92
	<u>\$2,523,167,176.74</u>

LIABILITIES

CAPITAL FUNDS :	
CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	35,246,709.16
	<u>\$235,786,709.16</u>
RESERVE FOR CONTINGENCIES	16,237,009.96
RESERVE FOR TAXES, INTEREST, ETC.	1,929,624.05
DEPOSITS	2,234,332,981.74
ACCEPTANCES OUTSTANDING	25,062,029.35
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	5,630,250.33
OTHER LIABILITIES	4,188,572.15
	<u>\$2,523,167,176.74</u>

United States Government and other Securities carried at \$95,735,736.08 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

BOARD OF DIRECTORS

WINTHROP W. ALDRICH Chairman, Board of Directors	H. DONALD CAMPBELL President
VINCENT ASTOR	ARTHUR W. PAGE
GORDON AUCHINCLOSS	THOMAS I. PARKINSON
EARL D. BABST	ANDREW W. ROBERTSON
HOWARD BAYNE	ROBERT C. STANLEY
JOHN A. BROWN	BARTON P. TURNBULL
FRANCIS H. BROWNELL	CORNELIUS VANDERBILT
NEWCOMB CARLTON	
MALCOLM G. CHACE	
BERTRAM CUTLER	
FREDERICK H. ECKER	
HENRY O. HAVEMEYER	
ARTHUR G. HOFFMAN	
THOMAS N. MCCARTER	

Main London Branch:

6, LOMBARD STREET, E.C.3.

Bush House Branch:
ALDWYCH, W.C.2.

West End Branch:
51, BERKELEY SQUARE, W.1.

Incorporated with Limited Liability under the Laws of the U.S.A.

welded the French people in unanimity because of their overweening audacity, and enabled the Prime Minister, two months after Munich, to answer them in a way which again inspired confidence.

Firmness in the foreign field must be backed by firm decisions in internal affairs. Here, too, the Government received unexpected help: the Socialists made a resurrection of the Popular Front impossible by allying themselves with the Communists in a policy of meaningless obstruction, so that, after the fiasco of the general strike, M. Daladier was able to get a temporary majority without serious difficulties, the Left wing of the Radical Socialist party being powerless.

Many observers now say that the Cabinet should be able to remain in power until the Presidential election in April at least. However that may be, the Budget was passed in due time—by an augmented majority in the Chamber. The decree-laws have been passed, including even the setting up of the now notorious Economy Committee, which is a most significant victory in the eyes of those who appreciate the part played by civil servants in electoral contests.

The political influence of State employees has been one factor in the recent development of French étatism—mainly under a Socialist Government. Public expenditure rose from 44,000 million francs to 64,000 millions between 1935 and 1938, and there was a rise of 6,000 million francs in expenditure on local undertakings, at the same time as the cost of re-armament was increasing by 19,000 millions. Road expenditure amounted to 279 millions in 1938 against 74 millions in 1928, and school building charges were 544 millions against 80 millions. All these charges added to the cost of social services and labour reforms, explain why “a ton of submarine costs 55,000 francs in Great Britain and 90,000 francs in France.” Economy is essential, urges the Minister of Finance, in a country which has just been called upon to bear an extra tax-burden of 35,000 million francs. The Economy Committee has been authorised to make recommendations which will be put into effect by decrees issued by the Council of Ministers before September 30, 1939.

Fresh Steps to Revival

The comparative calm in foreign affairs, the temporary stability of the Government and the reorganisation of State administration which is proceeding, make possible new efforts to revive business. These operate in three directions. First, the Bank of France has again lowered its rediscount rate, this time to 2 per cent., the lowest for two years and the same as the English bank rate. Secondly, fresh regulations have been issued about the application of the 40-hour week; these virtually introduce a 42-hour week in retail trade, a 42 to 44-hour week in the chemical industry, a 45-hour week in catering, and a 50-hour week in other provision businesses. The five-day week is abolished in every case where business is in direct contact with the public, but it is retained wherever its retention presents no obstacle to increased production. Thirdly, three decrees will be published which will tend to lessen the burden of taxation, with a view to developing private investment and fostering exports. Thus, the tax on industrial debentures issued before August 15, 1939, for 20 years will be lowered by 50 per cent.; and bonds issued by banks to finance export trade will be exempted from income tax altogether.

Germany

Trade Discussions

BERLIN, January 2.—At the end of this week, Herr Funk, Minister of Economics, will go to Rome. At the same time, trade discussions will take place between German and Italian delegations which will cover technical questions about the current trade agreement and also the possibilities of further development of mutual trade. Herr Funk's visit has no special political significance, and it certainly has no connection with Mr Chamberlain's trip to Rome next week. According to reports, Herr Funk will discuss the possibility of permitting increased numbers of Italian building and agricultural workers to come to Germany in the New Year. Last year Germany temporarily employed some 30,000 Italian farm labourers.

Germany has concluded a new trade agreement with Czecho-Slovakia which is expected to be the first step towards an entirely new orientation of Czecho-Slovakia's foreign trade. In the new agreement Czecho-Slovakia has made several concessions in Customs duties in favour of the Reich akin to those formerly given to Austria, and the outlook

for German sales in Czecho-Slovakia has been accordingly improved. Czech exports to Greater Germany will be limited to goods to a value of Rm. 150 millions in all, and will mainly consist of raw materials, semi-manufactured goods and foodstuffs, though a limited amount of metal goods and machinery will be included. The total of Rm. 150 millions is 30 per cent. less than the average value of Czech exports to the Reich in the past, which is due to the transfer of the Sudeten districts. Czecho-Slovakia will export 6,000 wagons of wheat, 3,000 wagons of barley, 7,000 wagons of oats, 4,500 wagons of wheat-flour and 1,500 wagons of beans, to a total value for agricultural products of Rm. 35 millions. The quantity of Czech exports to Germany of beer, spirits and timber is also fixed. On the other side, German deliveries of coal to Czecho-Slovakia are limited to a value of between 800 and 900 million Czech crowns.

The trade agreement concluded last March between Germany and Russia has now been extended to the end of 1939 without amendment. In spite of the provision of an export credit of Rm. 200 millions (which has not yet been fully used), German exports to Russia between January and September have further fallen, and at the same time Russian sales to Germany have been severely reduced. The following table shows the course of Russian foreign trade with her most important customers. The values are in millions of roubles (one rouble to 47 pfennigs):—

	JANUARY TO SEPTEMBER			
	Imports		Exports	
	1937	1938	1937	1938
(Million roubles)				
Germany	180.3	43.9	84.1	67.5
Great Britain	145.3	158.8	376.2	167.6
British Colonies and Dominions	53.5	81.4	24.4	7.6
U.S.A.	184.2	312.9	107.6	67.2
France.....	19.6	31.3	58.9	44.3
Netherlands (including Netherlands East Indies)	74.7	73.8	72.0	63.8
Belgium-Luxemburg	49.2	47.9	82.0	96.8
Iran (Persia).....	59.8	61.9	70.6	54.1

(Figures from Russian statistics)

German-American Relations

Although the German Press campaign against the American Government and the speeches of leading American statesmen is still couched in the strongest terms, seeking to represent the United States rejection of the German protest as the result of Jewish intrigues, there is no intention, according to reports from official circles, of breaking off diplomatic relations. It is not thought in Berlin that the United States would take steps to bring about a rupture on her own responsibility. On the other hand, it is not expected that the Ambassadors of the two countries will return to their posts in the near future.

It is pointed out officially that in the first half of 1938 Germany took American goods to the value of Rm. 185.4 millions, while she exported to the United States only Rm. 67.5 millions of goods. According to an official estimate, in the whole of the year 1938, Germany imported North American goods, chiefly raw materials, to the value of about Rm. 400 millions, paying in gold or free exchange; and it would accordingly not be to the interest of the United States to break off diplomatic relations, interrupt trade and lose eighty million German customers.

It must be mentioned that all the resources of German propaganda are being used to represent the outcome of the Lima Conference (which undoubtedly fell short of the United States' expectations) as negligible, and thus to split the unity of the American Republics. These tactics show how very uneasy Germany is about South American markets for her goods and about the prospects of obtaining raw materials and foodstuffs from South America.

Tasks Ahead

Herr Hitler outlined in his New Year message the future tasks of the Third Reich. First stands the education of the people in the idea of the National Socialist community. The second task is more concrete; it is the further strengthening of Germany's defensive power. It is not to be expected that Germany would reduce the *tempo* of her armaments and at the moment this is still rising. In this connection the British-German naval discussions are important. It is more than probable that Germany will develop her fleet to a greater extent in the future than in the past and, in particular, will try to secure parity with Great Britain in submarines.

Herr Hitler also mentioned the Four Year Plan, which is to be extended. Press comments and New Year articles by important people consistently emphasise the need for

strengthening the Reich's business and financial position. The labour shortage must be ended by utilising all reserves and rationalising methods of work. Productivity must be increased by more efficient organisation and by the regulation of investment according to national needs. Capacity and supplies must be rationed according to State requirements, export needs and the needs of domestic consumption.

Last Sunday, a new ordinance dealing with hours of labour came into force. It applies to all workers over eighteen years of age and to all types of undertaking. It retains the principle of the eight-hour day, but permits the working of a maximum of ten hours per working day. It will be possible under the ordinance for working time lost on account of holidays to be made up by overtime on other days, and extra pay will be given for such overtime.

Also on January 1st, a new Exchange Law came into force which was largely a codification of the numerous regulations already existing. The exchange laws have now been fully extended to include Austria and the Sudetenland. In general, no material alterations have been made. The liability to hand over foreign exchange to the authorities has been tightened up, and penalties for evasion have been made more severe all round. Similarly, the regulations to prevent the export of capital have been supplemented by more severe penalties. Business men and others who want to use cash abroad for the purchase of goods, to pay hotel, travelling or maintenance expenses, will have to apply for a formal permit before setting out on their journey.

Belgium

A Troubled Year-End

LOUVAIN, January 3.—Belgium did not finish the year 1938 very brilliantly. The Government emerged much weakened from its difficulties; and one wonders whether a big change will not be necessary in the near future. One of its ablest members, M. Max Leo-Gérard, Minister of Finance, has gone, and has been replaced by M. A.-E. Janssen, who has declared that he will carry on his predecessor's policy. Like M. Gérard, he is a partisan of the strictly balanced Budget and of a policy of economy; and this being so, it is not clear why M. Gérard ever left the Cabinet.

The Government has tried to balance the ordinary Budget and to reduce extraordinary expenditure to a strict minimum—and this, according to Belgian custom, is to be covered by a loan. Thus the amount of the 1939 extraordinary Budget has been brought from 2,500 to 1,600 million francs, a sum which includes about 500 million francs for extraordinary expenditure on re-armament. It appears, however, that anti-aircraft defence will need some additional hundreds of millions. The mobilisation in September cost Belgium 125 million francs (about £800,000), and this charge is to be covered by temporary taxation.

During the international crisis in September the Belgian Government found itself short of funds. But after the Munich Agreement the Government was able to issue successfully a loan of one milliard francs, thanks to which the Treasury's cash balance have been converted into bullion bought from the National Bank of Belgium; and nevertheless the Government ends the year with a liquid cash balance of 600 millions.

From the monetary point of view the position of Belgium has improved during the last six months; and the National Bank has got back the whole of the gold that was lost through the panic of May, 1938, when the French franc fell. At that time, Belgium had to export gold to the value of four milliard francs. More recently, when the pound sterling fell against the dollar, it was debated in Belgium whether to abandon the gold-standard and attach the Belgian franc to the pound sterling at its present-day value, that is, without any appreciable devaluation. This view is often found out amongst exporters, particularly those in the textile industry, who suffer a good deal from the fall of the pound. Politicians and the public in general, on the contrary, remember previous falls and energetically reject this suggestion. The Minister of Finance has recently declared that no action in this direction need be taken at present. Business circles realise, though, that attachment to the pound sterling would bring many advantages, and that sooner or later it may be inevitable.

Coal Trade Depressed

As well as the textile industry, which is suffering a slackening of exports, the coal industry is in difficulties; and these have been accentuated by Government intervention. At the time of the strike movement in France in 1936, the Belgian Government accepted the principle of the forty-hour week for those industries in which the work is hard. A first step in January, 1937, brought working hours in the coal industry down to forty-five. Decreasing production was thus added to working difficulties which already existed. The Government also made statutory certain voluntary wage increases previously granted to miners in prosperous times. By reducing imports and establishing an import tax, the Government has kept the price of coal at an artificial level; but in spite of this, the situation of a number of mines remains precarious. Meanwhile, the coal-consuming industries complain loudly of enhanced fuel prices; and in that respect the situation in Belgium is clearly abnormal. From time to time the Government has had to face the menace of labour trouble in the coal mines, and concessions made on that account have meant the imposition of uneconomic conditions.

The iron industry has a brighter outlook and for several months has noticeably revived.

It is rather surprising to find signs of revival in the statistics of the export trade, which, for the last two months, October and November, 1938, reveal an increase in almost all sections. Notwithstanding that improvement, unemployment shows an increase which was not expected. The effect of that increase on Budget prospects is not to be neglected; and the Government is accordingly anxious.

Spain

(From a Correspondent recently in Barcelona)

The Morale on Both Fronts

PARIS, January 3.—While the food question is acute in Republican Spain, I find no evidence that it is undermining the morale of the civil population. The report that the United States would send quantities of food has had a cheering effect; the new Franco push is taken with the same stoicism that has marked other military operations; and everybody realises that the Insurgents are still far from Barcelona. There is a general feeling of optimism that they will never get there.

The recent reports of dissensions on the Insurgent side seem to confirm news which has appeared in Barcelona: The view is taken there that the war is still a political rather than a military problem; and the military plan is rather to frustrate the enemy than to gain spectacular victories—on the assumption that if General Franco can be fought to a standstill, it will mean his ultimate defeat. Unable to compose differences within his own ranks, it is argued, General Franco will meet with resentment on several grounds: on his failure to win the war, for instance, and on the presence of foreign troops.

Moreover, a great many of General Franco's "followers" have a revolutionary spirit not much less warm than that of the hated "Reds." Lukewarm in their acceptance of Monarchism and the Church, they perfunctorily accepted them as part of the war formula. The Loyalist Government, so one of their Ministers has told me, have "friends" working on the other side trying to convince "well-meaning Spaniards," particularly of the revolutionary type, that there is little difference between their aspirations and those of Republican Spain, as embodied in Dr Negrin's thirteen points.

The most important of Dr Negrin's points are the absolute independence and integrity of Spain; a popular Republic and a vigorous State; full guarantees for civil and

The OCEAN

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

FOR ALL CLASSES OF INSURANCE

religious rights; a plebiscite after the war; protection for property and producers, and especially for small property holders; thorough agrarian reform and advanced social legislation; and finally, "an ample amnesty for all Spaniards who desire to co-operate in the work of reconstruction," together with "renunciation of vengeance and reprisal."

While Government supporters are hopeful of results, they have no illusion that the reconciliation, if it comes, will be easy. The reactionary, or at best the ultra-conservative wing of General Franco's followers, may be expected to resist to the last. Like the General himself, they realise that only a complete military victory will yield them the high stakes for which they are playing. Spain is a land of surprises; no one can foretell what will come out of the peace gestures.

National Pride

On both sides Spanish pride has been deeply wounded by the foreign invasion. This is even true of many on General Franco's side, who feel that, having gone so far, they cannot now draw back. This pride, always to be reckoned with in Spanish psychology, is a real factor in explaining the tenacious resistance of the Republicans. At Barcelona, where it is felt that Spanish pride may in the end help to unite all "well-meaning" Spaniards, the Government is trying to make the war a question of Spanish honour; and, as President Azaña remarked in his latest public pronouncement, "in no nation in the world does one so roundly repeat 'a question of honour' as in Spain."

On the important question of morale, looked at from both sides, one finds that while the wear and tear of thirty months' campaigning has taken the freshness from those Insurgents who have done most of the fighting, the Government's army, recently reorganised, is in fairly good condition. To one who has rubbed elbows with the Government's forces, it seems that their morale is high. From the beginning the Government has insisted that the army should be well fed and clothed, while the effects of discipline and unification, as demonstrated in increased powers of resistance and even of attack, such as were witnessed in the Ebro crossing last summer, have raised the men's confidence. They no longer feel that they are fighting for a lost cause.

Civilian Discontent

Among the civilian population the Government have to cope with indifference and even disaffection, side by side with full-hearted enthusiasm. Small shopkeepers and their kind, although usually Republican and liberal, see their businesses reduced to nothing by the fortunes of war. Thousands of small grocers find that the co-operatives and the Government's rationing regulations are taking away all their trade. Unable to obtain foodstuffs on any terms, they, of course, have none to sell. In many cases they suffer for their own misdeeds, for the Government have found it necessary to cut off all supplies during the war period as the only way of stopping hoarding and profiteering.

The rich man's pesetas buy no more food than the poor man's in Republican Spain these days, although people with friends beyond the frontier can have food sent to them, and great quantities of food do reach Spain in this way. But those whose trade suffers from the war with difficulty conceal their indifference or even their wish that the war should end with a Franco victory. The Government seeks to reassure them by pointing out that their difficulty is only temporary and that under more normal conditions they will be amply protected.

Thousands of sympathisers with General Franco who remain in Government territory incur repeated accusations that they are engaged in espionage and in attempts to undermine civilian morale. Just after the successful Franco push on the Aragon and Catalan fronts last March, when it seemed that the Insurgents might soon be in Barcelona, many of their sympathisers came virtually into the open and began organising a "Fifth column." Their boldness went to the length of making covert threats against those with whom they had been in daily and friendly business relations. The authorities retorted by wholesale arrests, and, as is usual in such cases, police activity threatened to become an epidemic. There are many authenticated cases of needless imprisonment and suffering inflicted upon perfectly innocent persons, but happily this period is past, and the military police, known as the SIM (*Servicio de Investigación Militar*), is now becoming more moderate.

This varying civilian morale should not be taken as threatening disintegration; the parties supporting the Government, from Syndicalist and Socialist to Catalan and Basque, are still united and loyal. Such opposition as there may be does not play an obtrusive rôle, but rather one of imposing a salutary check upon the Ministry.

Among supplies for war manufacture the cotton supply is

of prime importance. At the outbreak of the war the Government had in hand about 125,000 bales, of which 60,000 were American, 35,000 were Egyptian and 30,000 Indian, the whole being worth about £170,000. This sufficed for the first year's needs, with perhaps some surplus. The Government has since been able to import Russian and Indian cotton in moderate quantities. Some months ago some 20,000 bales of such cotton were seized at sea by General Franco.

Here in Paris I learn that the Franco Government, which has been buying cotton as a Governmental activity, is restoring this trade to private hands, which is expected to stimulate purchases.

Japan

War Aims

TOKYO, December 7.—During the first months of the Sino-Japanese war it was fashionable for Japanese to express concern to foreign friends and acquaintances lest Japan's "real intentions" might be misunderstood abroad. Since that time a good deal of new light has been cast by the course of events on Japan's actual designs in China. And the position has been further clarified by the recent exchange of Notes between the United States and Japan on the subject of the Open Door. The American Note was a detailed statement of grievances and handicaps which American nationals had experienced in China as a result of Japanese military and administrative policies. It ended with three firmly worded requests: Discontinuance of discriminatory exchange control; stoppage of monopolies and preferences which would place Japanese in a favoured position relative to Americans; and cessation of interference with American property and American rights—

including such forms of interference as censorship of American mail and telegrams and restrictions upon residence and travel by Americans and upon American trade and shipping.

Although the American Note had requested an early reply, there was an interval of six weeks between its receipt and the presentation of the Japanese reply. This reply, while worded for the most part in conciliatory terms, was quite unyielding about the more important American requests. Perhaps its most significant phrase, a repudiation by implication, both of the Nine Power Treaty, which guarantees the territorial integrity of China, and of the traditional American policy of the Open Door, reads as follows:—

Any attempt to apply to the conditions of to-day and tomorrow inapplicable ideas and principles of the past would neither contribute to the establishment of a real peace in East Asia nor solve the immediate issues.

Several developments between the receipt of the American Note and the despatch of the reply showed that there was no intention on Japan's part to accede to the American contentions. The American Note had mentioned exchange control in Manchukuo as a means of trade discrimination in favour of Japan and against other nationalities, since the control does not apply to transactions in yen; and Manchukuo trade control has, in fact, been strengthened. The American Note objected to monopolies; and two Japanese semi-Government companies, in structure much like that of the South Manchurian Railway, have been formally organised for the purpose of developing North and Central China. It is easy to foresee the prospects of a foreign business firm in competition with either of these companies in an area under Japanese military control.

Simultaneous British, American and French Notes, requesting the reopening of the Yangtse river to the merchant shipping of the three Powers elicited a firm refusal from the new Minister of Foreign Affairs, Mr Hachiro Arita—one of the reasons alleged for the refusal being that Japanese merchant vessels are also excluded from the river. The validity of this excuse was promptly challenged by *The North China Daily News*, a sober and reliable British newspaper in Shanghai, which offered the following somewhat acid comment:—

Tens of thousands of tons of produce for export and of imported goods are passing up and down the Yangtse under Japanese auspices and for Japanese account. The cargoes are not war supplies, unless, of course, dried lilies, melon seeds, sandalwood, silk waste, piece goods and feathers come within that category. Tobacco leaf may not be munitions of war, though possibly the three thousand packages of general cargo, consisting of soap, candles, sugar, cigarettes, etc., landed by one vessel at Wuhu, would come under that heading, the candles being undoubtedly used to light the troops to their slumbers.

Japan's Task

No matter what minor concessions and adjustments may be made from time to time, there would now seem to be little reason for misunderstanding Japan's "real intention" to turn the occupied parts of China gradually into an extension of Manchukuo. The task is difficult and complicated, to be sure, both because of the much larger territory and population involved and because of the greater size of the foreign interests. Yet, as experience has shown, there are many ways of sapping and undermining foreign interests without proceeding to open violence.

With this prospect in view, what will the foreign Powers with interests in China do to protect their interests? The Japanese army, never more powerful in the direction of policy in general and policy in China in particular, is proceeding on the assumption that the Powers can and will do little or nothing. Theoretically a British-American-French-Soviet front against Japan in the Far East would seem formidable. But Japan's leaders reckon that Great Britain and France are too much threatened in Europe to take any serious risks in the Far East. The Munich Agreement has been generally interpreted here as a sign of the impotence of the democratic Powers in the face of vigorous aggression. And America is not expected to take positive action alone, especially as its invested stake in China is little in excess of £40 millions, while its export trade to China before the outbreak of the war amounted to only about 1.5 per cent. of its sales abroad.

Whether Japan will break her neck economically on the gigantic problems of pacifying and exploiting China remains to be seen. There is no sign at present of unrest or bitter discontent, and the deprivations which have been imposed on the population are thus far vastly less than those which the Russians endured during the first five-year plan. It is recognised here that Japan lacks capital for expensive large-scale development of China; but Nationalist economists contend that much can be done with the combination of Japanese organising ability and Chinese cheap labour. And the dream of an ultimate *Pax Japonica* in the Far East, of a Japan made both great and rich by the systematic exploitation of Chinese mineral and agricultural wealth is held up as compensation for the sacrifices of the present time.

New Zealand

Exchange Control

CHRISTCHURCH, December 8.—For some time past overseas funds held for exchange purposes by the New Zealand banks have been falling heavily. At the end of October these funds amounted to £NZ41.64 millions in 1934, £NZ28.03 millions in 1937 and £NZ11.86 millions in 1938. During the past year, therefore, they have fallen by more than £NZ16 millions. Whilst trading bank figures are not yet available for November, the decline in the Reserve Bank's sterling funds has continued. The chief causes of the decline are, first, the fall in the value of exports, principally of wool, during the past year and the consequent passive balance of payments; second, a normal seasonal excess of imports during the second half of the year; and third, an export of capital which has proceeded slowly over the last three years, and been accelerated in recent months. As the export season is now well under way and the balance of payments is decidedly active from November to May, it is expected that these overseas funds will quickly be built up again.

To conserve the funds that remain, the Government has now made regulations which permit complete control of all overseas payments. The Reserve Bank's obligation to provide sterling at its quoted rates in exchange for New Zealand currency has been suspended. All exports are to be licensed; and a condition of the licence is that receipts for exports shall be paid into the trading banks and transferred by them to the Reserve Bank. All imports, too, are to be licensed and necessary exchange funds cannot otherwise be secured.

The new regulations suspend the convertibility of New Zealand's currency with sterling and at the same time effectively control foreign trade and the movement of capital. The exchange is pegged at its present level, and, while no export restriction is intended, the Government will control the direction of the import trade. The both the nature and the direction of the import trade. The Minister of Finance has explained that overseas funds will be used, first, for the service abroad of public debt, and, secondly, for the extension of trade with the United Kingdom; while "facilities will be provided for the purchase of capital equipment and raw material for the extension of manufacture within the Dominion."

New Zealand has had one previous experience of this type of exchange control. At the end of 1931, when sterling funds were very short, a system of export licensing and exchange pooling was imposed. When, early in 1932, imports fell heavily, and sterling funds increased, the necessity for the scheme quickly passed; and after being widely condemned by traders as an unnecessary and troublesome interference with trade it was officially abandoned in June, 1932.

An Internal Loan

There is no certainty, as yet, whether the present control is to be regarded as a temporary and emergency measure, to be abandoned as soon as possible, or whether it will take a permanent place in the Government's policy for the general reshaping of economic affairs. Probably it will prove an experiment which will be modified as conditions change and its measure of success appears. It will undoubtedly prove troublesome and difficult for traders; and the restriction on capital movements involved will be unpopular and may have far-reaching effects. Already there has been a sharp rise in local prices of Australian securities.

The imposition of exchange control and its immediate cause in the shortage of London funds, are both direct results of the Government's policy during the last three years.

Under this policy the Government became committed to a scale of expenditure which, after the fall in wool prices in the 1937-38 season, went beyond the powers of the national income. Heavy borrowing from the Reserve Bank marked its continuance; and this borrowing created claims on the Bank which were met by the purchase and consequent depletion of its sterling exchange funds. The steps now taken to conserve these funds, though drastic, do provide an opportunity for the Government to revise its general policy and to place its financial and monetary operations on a sounder working basis. The announcement is already public that an internal loan will be shortly floated to finance public works expenditure, and possibly to repay the Government advances from the Reserve Bank. If this is done, and provided the Government lives within its means, there need be no fear of excess imports. The seasonal swing of trade will restore sterling funds to safe levels, and the necessity for conserving those funds will quickly pass.

RENT

**your new
factory
BUILT TO YOUR
REQUIREMENTS**

with coal, iron and steel on the spot

CAPITAL ASSISTANCE

WEST CUMBERLAND offers you the following exceptional advantages if you select it as a location for your new factory: plentiful labour, skilled and unskilled, male, female and juvenile. Foundries working the purest hæmatite in the Empire, producing pig iron and steel of all grades, and forgings. Manganese deposits in the area. Coal of all grades for engineering. Abundant lime. Water—soft water—in plenty: waterside factory sites. Good ports—good transport facilities. Magnificent country—mild climate—sporting amenities.

ADD TO THESE the unique facilities now offered by the Government. Your factory planned and built for you to your requirements, and rent only (on a non-profit basis) charged. Substantial assistance with capital. Contributions towards Rent, Rates, Income Tax and N.D.C.

Full information from
The West Cumberland
Industrial Development Co. Ltd.
1 Scotch Street, Whitehaven

West
Cumberland

Letters to the Editor

F.B.I. and New Zealand

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of December 24th you stated, with regard to the above subject, that

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.

I entirely agree. Since, however, you have seen fit to infer that the attitude of the Federation of British Industries towards New Zealand might be due to the fact that a Labour Government is in power there, I trust you will allow me this opportunity of stating categorically that the policy of the F.B.I. with regard to New Zealand is based entirely upon commercial considerations. The political complexion of the New Zealand Government, or indeed of the Government of any part of the Empire, is no concern of the F.B.I., which is a non-political organisation, whose policy is based upon business considerations alone.

Yours very truly,

GUY LOCOCK,

Director, Federation of British Industries.

London, S.W.1.

Road and Rail

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of December 31, 1938, Mr Sherrington rejects my point that the release of railways from regulation should be accompanied by a removal of restrictions at present laid on road transport. He states that

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.

Admitted. But any trader who is aggrieved by the rate charged by his haulage contractor is perfectly free to take his custom to some competing haulier, who will be ready to offer him the lower rate to get his business. There is no competition in rate of this sort between railways.

Mr Sherrington considers that the concentration of operators on services where there is already railway competition tells against the view that restriction has created an artificial scarcity of public vehicles. But those services where rail competition has depressed ton-mile rates are also those services which are the cheapest to work, and that is why the road hauliers are found there as well as the railways. This circumstance arises from a disability imposed on the railways by existing legislation. Railway companies are required to charge rates on a mileage scale, which is applied to all railways and lines of railway, regardless of any variations there may be between the costs of working traffic generally over one line and another. Railway rates are therefore relatively high where costs generally are low, and low where costs are high. The haulier, of course, concentrates on the first class of services, and these are also the services for which rail competition is likely to be keenest. The unfortunate railway is left to operate the second class of services alone; but only because the railway rates are too low to make the traffic attractive to hauliers, and *not* because of any difference in their status as carriers.

I am, Sir, your obedient servant,

GILBERT WALKER.

University of Birmingham.

OTARD'S EST. 1795
V.S.O.P.
LIQUEUR BRANDY

MATURED AND BOTTLED AT CHATEAU DE COGNAC

Eire's Economy

TO THE EDITOR OF THE ECONOMIST

SIR,—Your Irish Correspondent, in his letter of December 23rd, hardly goes far enough. The root of all our difficulties in Eire is the plight of agriculture. Recent statistics show that, in the last ten years, the value of industrial output has risen by almost exactly the same amount that the value of agricultural output has declined. This result was predictable from basic economic principles; as there is practically no export other than agricultural produce, the establishment of industrial undertakings can obviously have no result other than the transfer of labour from agriculture to industry: the net output of wealth is unchanged.

There are other factors at work depressing agriculture. The whole history of the rise of the standard of living in modern times is one of continual mechanisation and rationalisation of agriculture with a consequent increase in the output of foodstuffs per man year. This rise in productivity of foodstuffs has also been due to discoveries of extensive new territories offering special facilities for large production with a minimum of labour. The labour thus released from agriculture has gone to provide labour for industrial undertakings, so that, whereas in the U.S.A. seventy years ago 80 per cent. of the population were engaged in agriculture, to-day 80 per cent. are engaged in industry.

Thus, development of agriculture always has preceded and must precede the development of industry unless the economic unit is prepared to accept a lower standard of living as the price of industrialisation. In Eire an attempt has been, and is being, made to reverse this process with easily predictable results.

With a huge market for bacon, eggs and poultry at the door dominated by the Danes, successive Governments of Eire have made but the feeblest of attempts to educate their people to standards which would enable them to wrest at least a proportion of this trade from Denmark. Butter-making competitions and a few exhibits at agricultural shows and an agricultural college which teaches a few farmers' sons to become stewards and bailiffs on a soil and in a climate which has no reference to the conditions prevailing in the rest of Eire comprise the sum total of Government efforts in this direction. The splitting up of large farms into smaller and less economic units is another policy that has been actively pursued regardless of the fact that the reverse process is characteristic of every progressive country in the world, and also of the fact that the wealthiest economic units are those with the largest farms and the smallest percentage of their population engaged in agriculture.

If some notice is taken of your Correspondent's very correct views on the personnel and ambit of enquiry of the proposed Agricultural Commission, and if its findings are promptly and intelligently implemented, we may well hope to see Eire entering an era of prosperity hitherto unimagined.

Yours faithfully,

E. O'BRIEN.

Home Market versus Exports

TO THE EDITOR OF THE ECONOMIST

SIR,—We have read with interest the letter from Mr MacDougall on our estimate of output for the home market.

We quite agree that, if output for the home market is taken as a proportion of total and not merely industrial activity, its increase between 1929 and 1937 was probably in the neighbourhood of 30 per cent. It is unfortunate that we should have given the impression that this figure was greater than 50 per cent., when all that we intended to convey was that the inclusion of "services" would have increased the share of home activity in total activity, and would therefore have made the home market all the more important.

Yours faithfully,

THE COMPILERS OF THE ESTIMATE.

Books and Publications

An Orthodox Economist

PROFESSOR HANSEN of Harvard University is a sane and critical guide to recent literature on controlling the trade cycle. He has an agreeable style and an aversion from extreme *a priori* reasoning. His book* leaves the reader with the impression of having spent an hour or two in the company of an expert who is not too remote from the world, of having enjoyed a pleasant chat with an intelligent observer of monetary affairs. Such a book is of great value, but it would be an exaggeration to pretend that, with all its merits, it provides an original answer to the problem posed by its title.

The first part of the book consists of what are in effect penetrating reviews of the work of Messrs Keynes, Harrod, Hayek, Douglas, etc. Professor Hansen has some excuse for covering this old ground again in that he is able to draw attention to some over-emphasis and over-simplification in the reasoning of the Keynesian school. In the second part the author discusses the weapons of monetary control available to governments by the use of reserves accumulated in Unemployment and Old Age insurance funds, etc.

Finally, he draws the moral of the somewhat disconnected, but not unduly discursive, chapters of the earlier parts.

It is perhaps true to say that inflation is feared more than stagnation. Yet if the analysis [made in the preceding chapter] is not wide of the mark, the reverse ought to be the case. . . . The fact is that no price inflation is possible so long as vast unemployed resources of men and machines can be drawn upon to produce an ever-increasing output of goods and services.

Professor Hansen fully recognises that inflation is a possible danger; but he thinks that it is liable to be most dangerous if fear of it drives us into stagnation, and

thereby creates the conditions out of which will arise an uncontrollable drive of inflationary action.

Professor Hansen understands the key part that Government investment must play in recovery.

We ought to have a Board of Public Investment whose duty it is to originate novel self-liquidating public works.

Yet, short of Utopia, he realises that it is much more probable that

the expansion of public investment is likely to come . . . not in the form of a systematic programme to maintain full employment, but intermittently and piecemeal as one emergency after another compels action.

But, though well versed in the Swedish economists and ready to furnish a rational basis for the main principles of Rooseveltian economics (in respect of recovery expenditure), Professor Hansen is fully alive to the qualifications to be put upon his reasoning.

The great danger in an enlarged programme of public investment is that we are likely to rely too exclusively upon it. He concludes optimistically:—

It is . . . a mistake to assume, as some have, that public investment necessarily foreshadows the doom of private enterprise. Indeed, if reasonably full employment can, by these and other measures, be maintained, private investment outlets, while relatively smaller in relation to the total economy, may well grow absolutely.

This well-read, moderate and sensible author must earn especial gratitude in this age of extremism, and his lack of original thought may be considered almost a merit in itself when attempts to break new ground so often result merely in the spreading of false scents. The orthodoxy of the modern school has a solid champion in Professor Hansen.

Books Received

Capitalism in Crisis. By J. H. Rogers. (London) H. Milford. 209 pages. 11s. 6d. net.
Survey of Mines, 1938-1939. The Financial Post. (Toronto) The Maclean Publishing Company, Ltd. 316 pages. \$2.00.
League of Nations: Statistical Year Book of the Trade in Arms and Ammunition, 1938. (London) Allen and Unwin. 340 pages. 12s. 6d. net.

* "Full Recovery or Stagnation?" By A. H. Hansen. Black. 350 pages. 15s.



A GOVERNMENT SERVICE for BUSINESS MEN throughout 1939

"THE BOARD of TRADE JOURNAL" The authoritative weekly journal of the Board of Trade contains essential news for exporters. It includes news of trade openings, exchange regulations, commercial treaties, Customs regulations, &c. The text of the Anglo-American Trade Agreement, was printed in full in the issues of 24 November and 22 December, 1938. Annual subscription 30s. post free.

MINISTRY OF LABOUR GAZETTE An invaluable monthly news service on very many aspects of industrial labour and employment, including employment and unemployment, wages and hours, cost of living, strikes and lock-outs, legal cases, etc. 6d. per copy. Annual subscription, 7s. post free.

THE LOCAL UNEMPLOYMENT INDEX, a monthly statistical return for over 600 towns. £3 3s. 0d. per annum.

ACCOUNTS relating to TRADE and NAVIGATION

These monthly returns give the volume and value of imports and exports for the current month with aggregate figures for the previous months of the year. Similar totals for the corresponding periods in the previous two years are given for purposes of comparison. Summary tables of imports and exports preface the detailed statistical analysis. In the return for December, preliminary figures are given for the past year. Each monthly return is adequately indexed. Annual subscription, £2 17s. 0d.

ANNUAL STATEMENT of the TRADE of the UNITED KINGDOM

This work, appearing in four volumes, contains the final figures for each year's trade analysed in considerable detail with comparative figures for the previous four years. The division is as follows:

Vol. I.—Summary of imports and exports.
Vol. II.—Detailed Statements of imports; exports of imported merchandise, bullion and coin and free goods in transit.
Vol. III.—Detailed Statements showing exports of produce and manufactures of the United Kingdom.
Vol. IV.—Detailed statement of the trade at each port or place, etc.

Prices for the volumes relating to the year 1937 are as follows: Vol. I, 15s. (15s. 6d.); Vol. II, 32s. 6d. (33s. 2d.); Vol. III, 20s. (20s. 6d.); Vol. IV, 25s., in the press. Post-free prices in brackets.

OVERSEAS TRADE REPORTS

Concise and informative accounts of the commercial and economic conditions prevailing in the principal countries throughout the world are presented in the series of reports by H.M. Trade Commissioners; Commercial Diplomatic and Consular Officers. Some thirty to forty reports are issued annually at a subscription price of 40s. post free. Reports on individual countries may be obtained separately at various prices.

All prices are net

HIS MAJESTY'S STATIONERY OFFICE

LONDON, W.C.2: York House, Kingsway
EDINBURGH 2: 120 George Street
CARDIFF: 1 St. Andrew's Crescent
MANCHESTER 1: 26 York Street
BELFAST: 80 Chichester Street
Or through any bookseller

THE BUSINESS WORLD

The Gold Reserve

THE latest half-yearly statement of the Exchange Equalisation Account's gold holdings, referring to the position on September 30, 1938, was published on December 31st. The figures, together with those of previous statements, are given in the following table:—

BRITISH GOLD HOLDINGS*				
(£ millions)				
	Mar. 31, 1937	Sept. 30, 1937	Mar. 31, 1938	Sept. 30, 1938
Bank of England ...	516.6	537.6	537.6	537.6
Exchange Equalisation Account	186.9	279.3	297.8	151.8
Total	703.5	816.9	835.4	689.4

* Valued at 140s. per ounce.

While the Bank of England's reserves remained intact, the Exchange Equalisation Account thus lost £146 millions of gold during the six months from April to September. The amount of the loss, though very large, was far from unexpected. Indeed, in *The Economist* of October 22, 1938, it was estimated that the Exchange Account had lost £65 millions of gold up to the end of May, as the result of the French repatriation at that time; and that that drain had been followed by a further outflow of £100 millions during the crisis months of August and September. This led to the tentative estimate that on September 30th the Exchange Account held no more than £130 millions of gold valued at 140s. per ounce.

The official return makes it clear that our estimate erred somewhat on the side of pessimism, although in view of the magnitude of both the figures involved and the imponderable forces at work, to have come within £22 millions of the correct figure is perhaps excusable. In retrospect, however, over the past four months it can be seen that there is one new factor of some importance, which had only begun to emerge last October, when we made our estimate. Earlier in the year gold arrivals from South Africa averaged about £1½ millions a week. Between the weeks ended September 8th and 15th they suddenly dropped from £1,054,000 to £353,000; and they have never recovered since. Now, South Africa has not ceased producing gold, and, apart from other indications, the inference is that instead of being shipped the gold is being retained in South Africa under the earmark of the British authorities. It takes nearly a fortnight for gold to travel from South Africa to London, and so the last big shipment must have left South Africa by August 25th. An examination of the returns suggests that between then and September 30th the short-fall in shipments amounted to about £6,000,000. The presumption is, therefore, that on September 30th the Exchange Equalisation Account held £6,000,000 of gold in South Africa, which was not allowed for in our October calculations. This, if correct, reduces the discrepancy between our calculations and the recent official return from £22 millions to £16 millions. It is of some importance to realise that, for reasons of greater safety in the event of war, some of the gold reserves are being held in the Dominions, where they are as available for shipment to New York as if they were in London.

This latest official return of our gold holdings is already three months out of date. Much water has since flowed

under London Bridge, and some more of our gold has also travelled across the Atlantic Ocean since September 30th. With the Exchange Equalisation Account's September 30th gold holdings of £152 millions taken as a starting point, it is time to make a fresh estimate of what has happened to them since. There is no doubt that during the past three months the Account has sustained further heavy gold losses. Is it possible to estimate how great they are?

The first approach to this question lies in the following table, prepared from the weekly returns of British imports and exports of gold bullion:—

OCTOBER–DECEMBER, 1938			
Imports		Exports	
From—		To—	
France.....	14,028	United States	102,984
Belgium	8,340	Canada	3,280
Holland	3,752	Belgium	1,910
Germany	2,570	Eire	1,010
South Africa	1,856	Sweden	978
West Africa	1,668	Switzerland	608
Switzerland	1,610	Other countries ...	386
India	1,469		
Other countries.....	2,304		
Total	37,597	Total	111,156

This table shows a net gold export of £73,559,000, but this figure must now be subjected to several qualifications. First, £7,661,000 of the gold imported from Belgium came here during the week ended October 6th. This gold was transferred here by the Belgian authorities, in search of greater safety, and its movement did not involve any change of ownership. It is doubtful if any of the £1,910,000 of gold shown as exported to Belgium represented the return home of this refugee gold. It is much more likely to represent the arbitrage operations against the belga, which took place from time to time during the late autumn. Therefore £7,661,000 ought to come off the import total.

On the other hand, imports from South Africa were a mere £1,856,000, whereas at the rate of £1½ millions a week they should have been £19,500,000. This suggests that about £17,600,000 was added during the quarter to British earmarkings in South Africa. There is the further suggestion that some of the gold shipped to Canada during and since the crisis was gold transferred there by the British authorities for motives of safety, but it is doubtful if the quantity involved was large.

The export returns can therefore be reconstructed as follows:—

Net exports, as shown in the returns	£ millions
Add imports of Belgian refugee gold.....	7.7
	81.3
Deduct estimated ear markings in Canada and South Africa, say	18.3
Exchange Account's net losses, as so far determined..	63.0

Even this preliminary figure of £63 millions does not necessarily tell the whole story. Arbitrage purchases in the London bullion market are automatically covered by this figure, for arbitrage involves a shipment of gold. Hoarding purchases, however, are a different story, and an examination of the course of the bullion market during the last

quarter suggests that, after allowing for re-sales, the Exchange Account may have supplied hoarders with anything up to £5,000,000. Finally, there are the reactions of the recent French repatriation movement. It is several weeks since M. Reynaud estimated that at £34 millions, and by the end of the year it may well have amounted to £50 millions or £60 millions. Not all this money came from London, but London's share may be tentatively put at £30 millions.

Now the French Control bought sterling to cover this movement, but there is no record of any consequent gold transfer from London to Paris. On the contrary, it is known that much of this sterling was converted into dollars, and if this operation caused gold to move from London to New York, this gold is already accounted for in the calculations. There may have been some transfer of gold from British to French earmark, but here again £5,000,000 would probably be an outside estimate. Adding on hoarders' purchases and possible French earmarkings, we get a final estimate of about £73 millions for the Exchange Account's gold losses during the quarter. This figure is so tentative that it is best reduced to the round figure of £70 millions. Again adopting a round figure, this suggests that on December 31, 1938, the Exchange Equalisation Account held only £80 millions of gold.

This last figure is less alarming than it appears. In the first place, everything has been worked out on a basis of 140s. per ounce. The Account always expresses its gold return in ounces, and if we take this week's price of 150s. per ounce, our estimate of £80 millions is written up to £86

millions. Then the technical position of sterling is far stronger than it was. The autumn pressure is at an end, most of the hot money formerly in London has already departed, and there must be a very big bull position in dollars. Everything, of course, depends on sentiment, but a sudden turn for the better might quickly create a big demand for sterling from bulls of dollars or bears of sterling anxious to cover. Also the liquidation of dollar positions towards the close of the year probably helped the Exchange Account, which may as a result be to-day holding either dollars or earmarked gold in the United States. This would be equivalent to a hidden reserve. Finally, there is still the possibility of recovering from the Bank of England some of the gold sold by it to the Account at the end of 1936. Very shortly the fiduciary note issue is due to undergo its seasonal contraction of £30 millions. It would be equally practicable to leave the fiduciary note issue at its present level of £230 millions and instead to take £30 millions of gold out of the issue department of the Bank. The Reserve would drop by £30 millions, but the Account would give the banking department £30 millions of securities instead. When, however, this gold reached the Account it would be automatically written up to £53 millions (at 150s. an ounce). This would bring the Exchange Account's total gold reserves back to £139 millions. In view of the present technical position of the pound, this should be adequate unless further political disturbances take place. If, on the other hand, 1939 proved a worse year politically than 1938, then the question of our gold reserves will be far from the most important problem with which we shall be faced.

The Market Outlook

NEW Year optimism is the least venial of human failings. Reading the usual messages from the Chancellor of the Exchequer and from industrial leaders, and observing the firm behaviour of the Stock Exchange at the year-end, the investor may well feel that, if the prophets' words are honeyed, 1939 at least can hardly be worse than 1938. A holder of the thirty leading equities included in *The Financial Times* index lost 16 per cent. of his capital last year, after a fall of 23 per cent. in the preceding year. The fall in 2½ per cent. Consols from 74½ to 70½ in 1938 reflected a rise in the price of long-term British Government credit from 3.36 per cent. to 3.56 per cent. And for any investor unfortunate enough to be heavily committed in home rails, the fall in the market valuation of the twelve equity and preference stocks of the four main line companies from £260 millions to £139 millions dramatically sums up a distressing year.

Some degree of optimism can thus be explained, if not necessarily justified, as a natural reaction from the bitter experience of the past year. To decide whether it is justified is only practicable if political factors are ruled out of discussion from the outset. The Stock Exchange, it is true, is not a laboratory bench where economic reactions occur in isolation from the rude world of politics. It is unnecessary to remind investors that security prices were driven to their lowest point last year in the September crisis. But to their lowest point last year in the September crisis. But if economic forecasting is rudimentary, it is at least more reliable than political soothsaying. We must judge the investment case in terms of economic probabilities, leaving the individual investor to weight the political risk according to his own opinion. On this assumption, we can divide the investment problem into three main parts—the prospect for gilt-edged stocks; the outlook for domestic equities after a 35½ per cent. fall over the past two years; and the scope for improvement in commodity prices and shares.

The Funds finished the Old Year as firmly as any section of the market. But before Christmas they had exhibited some nervousness on the extreme interpretation of year-end some nervousness on Lombard Street as a threat to "cheap money." The intrinsic logic of the inference is weak, but the ready response of long-dated stocks to a short-term

movement in money rates is significant. A display of sensitivity in gilt-edged when a major part of the defence borrowing has to be raised is not a reassuring symptom—particularly to those who believe that the decision to raise the existing borrowing limit beyond £400 millions "at the appropriate time this year" indicates a greater bias towards increased borrowing rather than increased taxation. It is essential for the gilt-edged market first to measure the scope which defence finance may play in the coming year, and secondly to consider the general trend of banking policy. Estimates published in *The Economist* of November 19, 1938, suggested that defence borrowing during the forthcoming financial year might range between £200 and £250 millions. With a volume of national savings of £400 millions or more, and a sub-normal demand for new industrial capital (either natural or induced) it should be possible to cover the total without stepping over the threshold of inflationary borrowing. But the fit of supply to demand threatens to be tight enough, and in such circumstances it may be the lender, rather than the borrower, who wields the greater power over the price.

There is a further point—the nature of the borrowing. The money market may be called upon to provide its share of defence finance by an expansion of the tender issues. There is good reason to suppose that the market would welcome this step in its own interests, and it would certainly play an important part in improving the banking system's liquidity ratios, and thus contribute towards the support of a larger volume of investments by the banks. If it is true that £100 millions represents about the *maximum sensible* for one operation in the long-term market, the money market would have little difficulty in carrying the greater share. Further, the question of timing is all-important. Considered from the aspect of pure need, it may not be necessary to raise further money until the end of this year, for out of total issues authorised under the Defence Loans Act, amounting to £180 millions (towards which £178 millions has been raised by loan) only £82 millions has so far been expended. But the bills for re-armament will be flowing in more quickly during the coming year, and the Treasury's tactic, both in 1937 and

1938, was to wait until the Budget had been presented and then to satisfy its requirements without delay. This year's Budget will not be a palatable dish for the market. But, once it is out of the way, the Treasury may have as good an opportunity to obtain its long-term finance as six or nine months later—particularly if a General Election should occur in the meantime. The outlook for gilt-edged stocks, clouded though it is, depends on the exercise of extreme tact by our monetary authorities.

What of industrial shares? Some observers argue that the recent firmness of the equity markets is an earnest of an early recovery, citing the behaviour of *The Financial News* ordinary share index in support of their view. It is true that, if the crisis "low" of September last is smoothed out, the index has displayed remarkable powers of resistance around the 80 level (July 1, 1935 = 100) on three occasions last year. But the process of "saucer-ing-out" (to borrow the jargon of the chartists) is proving lengthy. If the course of ordinary share values is compared with *The Economist* index of business activity since 1933, as on the accompanying chart, it is clear that the Stock Exchange has anticipated major trade changes in the trade trend at least six months before their appearance in statistics. It began to discount the fall in trade activity after September, 1937, nine months before it occurred. And it is surely significant that while the index of business activity, until November last, provided some ground for expecting industrial recovery, leading equity shares were not disposed to discount any improvement.

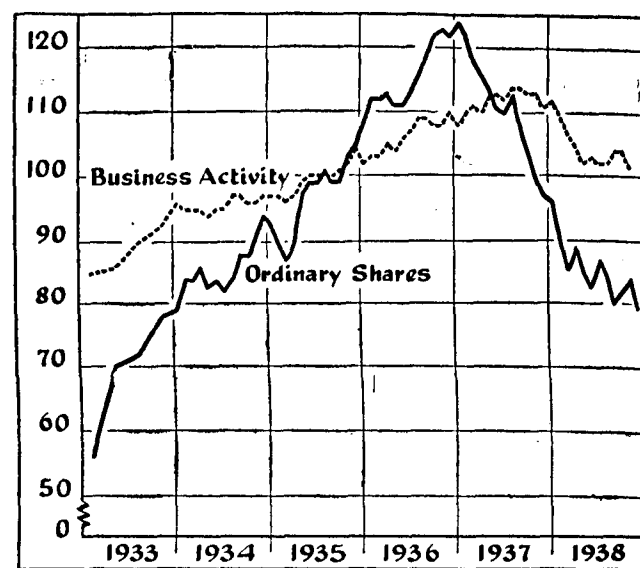
As a result, the yield differential between long-term interest rates (measured by the yield on Old Consols) and the return on industrial ordinary shares (measured by the Actuaries' Index) is 2.57 per cent. The average yield on industrials, at 6.13 per cent., is unparalleled since the early days of 1932, and one has to delve back to 1931 to find so large a differential between gilt-edged and ordinary share yields. The margin itself creates a presumption that corrective influences will sooner or later begin to operate. In part, this will take the form of lower dividends to come, which are already discounted in current share prices. But while the industrial scales are swinging so indecisively, there will be little prospect of increased earnings to encourage the market for some months ahead. If the conclusions in last week's special survey of economic prospects in 1939 are valid, neither re-armament expenditure nor recovery in America will suffice to offset a decline in activity during the early months of this year. If, from the summer onwards, they begin to exert a stronger influence, equity prices may begin to show decisive rallying powers when the uncertainties of the Budget have been removed. But re-armament as a particular, rather than a general, factor, will obviously continue to play a leading part, as it did in 1938, in determining the prices of aircraft, naval shipbuilding, and special engineering shares.

The stage of recovery reached in America, however, is the major factor in the economic field, and one on which the investor can place most reliance amid a welter of uncertainty. The purposeful course of the Federal Reserve Board's index of production from the low level of 76 last May to 103 in November shows that recovery in Wall Street (which is illustrated on page 29 in our usual

monthly chart) is well founded on economic fact. But those facts did not transmit their influence to British equities and world commodity prices last year, and to guess that a time lag of at least twelve months intervenes between incipient recovery in the United States and its reflection in the British indices does not seem unreasonable, for rising industrial activity must first reduce stocks to normal dimensions (as it has partly done in 1938) before a positive impetus is given to commodity prices. And while the fall in commodity prices has been stayed, tight control of production is still in operation for many commodities. There are signs that the promise of better prices is beginning to assist oil and rubber shares. And if a moderate degree of recovery later in 1939 is actually realised, commodity shares will not lag behind when higher earnings come into sight. It is well to follow the market promptly,

BUSINESS ACTIVITY AND ORDINARY SHARE VALUES

The Economist Index of Business Activity. 1935 = 100
The Financial News Index of 30 Ordinary Shares. July 1, 1935 = 100



but not prematurely; and it cannot be said with assurance that the economic indicators have touched bottom—though they may not fall greatly if politics do not interfere.

The conclusion, for the first part of 1939 at least, is that lively markets are improbable, even disregarding (as we have done throughout) the political risk. An enormous peace-time Budget alone would limit buying enterprise. What will follow in the second half of the year, when company reports will show the fuller effect of recession on profits, is still unsure. But there is a mild presumption that, after two and a half years of falling equity prices, the normal cyclical forces of recession will be near exhaustion. In short, the present time is not the best time to buy. But if all goes well politically, 1939 may present the investor with opportunities for a more definite investment policy than at any time since 1936.

Bricks and Houses

THE brick is the oldest manufactured building material. It was the basis of Roman architecture, and became the principal building material in England after the Great Fire of London. With the increase in the size of buildings, the steel frame and reinforced concrete have displaced the brick to some extent. Experiments have also been made with alternative materials in the construction of small houses. The coming of the small steel house, mass-produced in the factory and assembled where required, has long been predicted, but the brick still remains the principal building material for British dwelling houses.

The demand for bricks, consequently, is largely a func-

tion of the demand for dwelling-houses. The number of houses with a rateable value not exceeding £78 (£105 in Greater London) built in England and Wales was 202,060 in the year ended March, 1930. The subsequent depression scarcely affected building activity. After a decline to 183,807 (i.e. by less than 10 per cent.) in the year ended March, 1931, the number of houses built showed an almost uninterrupted expansion, reaching 346,053 in the year ended March, 1937. Since then activity has tended to decline, but the extent of the recession has so far been comparatively small.

The unprecedented expansion in building activity has

been accompanied by a corresponding increase in the demand for bricks. Between 1924 and 1930 the increase in the output of bricks, from 4,066 million units to 4,744 millions, was comparatively small. In 1935, however, the output was 7,220 million units and in 1937 production reached 8,250 millions. The growth of the brick industry is also reflected in the Census of Production returns. The following table shows the spectacular increase in the value of the output of building bricks and in the net output per person employed in the industry since 1907. The net output per person employed is based on the total production of the brick and fireclay trades, whose activities include the manufacture of bricks other than building bricks as well as of tiles, refractory materials, sanitary-ware, etc.

	VALUE OF OUT- PUT OF BRICKS (£'000)	Net Output per person employed in brick and fire- clay trades £
1907	6,373*	78
1912	5,172*	82
1924	11,160	207
1930	11,449	203
1933	12,918	209
1934	14,912	214
1935	15,613	216

* Includes silica bricks and firebricks.

While the size of the brick industry has grown appreciably, it has also undergone considerable changes in structure, organisation, and production methods. Apart from sand-lime or calcium-silicate bricks, made from a mixture of sand and hydrated lime, bricks are generally manufactured from clay. The location and varying composition of clay in different parts of the country largely dictates the methods of manufacture and costs of production. Thus, a large proportion of the output of common bricks is made from Fletton clay, which is found in the neighbourhood of Peterborough and Bedford. Owing to the special properties of Fletton clay, the brick industry may be roughly divided into flettons and other varieties.

Bricks other than flettons are made by a number of small scattered brickworks, probably nearly a thousand, catering for local demand. These include, at the one end, works producing bricks partly from colliery and other waste and, at the other, producers of high-quality, and often hand-made, facing bricks. There is a correspondingly wide local variation in prices, even for bricks serving the same purpose, for these small concerns are protected from the competition of brickworks in other areas by the comparatively high transport charges on such heavy and bulky products as bricks. More recently, however, technical developments and the growth of road transport have tended to increase the radius of distribution. Moreover, there has been a movement towards financial concentration, although, as a rule, the acquisition of works in different localities by one company has not been followed by concentration of production.

On the other hand, there has been a marked tendency towards concentration of production in the section of the industry based on Fletton clay. In contrast to the other raw materials, Fletton clay lends itself to mass-production methods; moreover, flettons can be produced without the costly drying process necessary for other varieties, and fuel costs are also appreciably lower, owing to the carbonaceous matter contained in this type of clay. The coal consumption per thousand flettons is little more than one hundredweight, compared with seven hundredweights for other common bricks. It is the special properties of Fletton clay which have been largely responsible for the concentration of production and the enormous expansion of the output of flettons. In 1922, the year before the amalgamation of Forders with the London Brick Company, the aggregate output of the works included in the merger was about 300 million units. In the intervening period the fletton industry has been reorganised into large mass-production units, and the capacity of The London Brick Company is now about six times that of 1922.

The mechanisation of output in the Peterborough and Bedford districts has led to an appreciable reduction in

costs. Between 1924 and 1930, when total demand showed a comparatively small increase, the reduction in price was slight, but as the following table shows, the tendency of prices since 1930 has been downwards. Moreover, in contrast to the producers of many other building materials, manufacturers of flettons did not increase their prices in 1937 or 1938:—

AVERAGE PRICE OF FLETTON BRICKS

(Shillings per thousand at King's Cross)

1924	53.25	1934	51.25
1929	52.25	1935	48.44
1930	52.25	1936	46.58
1931	51.42	1937	46.25
1932	51.25	1938	46.25
1933	51.25		

As a result of the progressive reduction of prices, the radius of the market for flettons widened considerably, and The London Brick Company now controls more than one-quarter of the industry's total capacity. Nevertheless, The London Brick Company has not achieved the same dominance in the industry as Associated Portland Cement in the cement industry, which was discussed in *The Economist* of December 10, 1938, on page 544. This is due mainly to the protection given to the more distant local producers by the high transport charges. In spite of the fact that special rates are quoted by the railways from Peterborough to London, transport costs still represent more than 30 per cent. of the total price paid by the London consumer. While cement is mixed with three times its weight of local sand and aggregate, bricks have to be transported in the finished state. But if the displacement of local brickworks by the introduction of flettons has

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

CAPITAL Authorised and Subscribed **£10,000,000**
CAPITAL PAID UP **£2,500,000**
RESERVE FUND **£3,000,000**

BOARD OF DIRECTORS

Rt. Hon. the Earl of Athlone, K.G. J. F. G. Gilliat, Esq.
Rt. Hon. Lord Balfour of Burleigh Bertram Lowndes, Esq.
Stanley Christopherson, Esq. Horace Peel, Esq.
Edward Clifton-Brown, Esq. Rt. Hon. the Earl of Selborne, K.G.
Robert E. Dickinson, Esq. Sir Roderick Roy Wilson
Brigadier-General Sir Samuel Herbert Wilson, G.C.M.G., K.C.B., K.B.E.

General Manager in South Africa—Milton Clough

Deputy General Manager in South Africa

R. W. Nornand

Assistant General Managers in South Africa

J. F. Gardner W. Gore W. A. Coombs J. T. Jurgens

London Manager—Ralph Gibson

Secretary—H. Dales

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 AVENUE, W.C.2

NEW YORK AGENCY: 67 WALL STREET

HAMBURG AGENCY: 49 SCHAUBENBURGER STRASSE

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.

made less headway in the more distant markets, the expansion of the area of supply has by no means been arrested. For example, brickmakers in the north have been much perturbed by the fact that the railways have granted preferential rates for the transport of bricks from Peterborough to the north of England. They fear that the fall in the demand for bricks in the south of England will tempt The London Brick Company to liquidate some of its apparently large stocks in the north at prices which would put many of them out of business. The Northern Brick Federation has even taken steps to contest an application by the railways for a further reduction in freight rates from Peterborough to Halifax. In the long run, the area of supply of the comparatively cheap mass-produced fletton brick is bound to widen further at the expense of the smaller brickworks.

But while the fletton brick will continue to displace other varieties serving the same purpose, the brick industry as a whole is now faced with an appreciable reduction in

demand, after many years of almost uninterrupted expansion. The course of building activity, on which the brick industry depends, is now on the downgrade, and there are no indications that this tendency will be arrested in the current year, especially as the absence of facilities for insuring buildings against damage or destruction from high explosives is rendering property less attractive as a means of investment. Moreover, the proportion of the total volume of building consisting of flats and tenements, which require fewer bricks per unit of accommodation, is growing, while framed construction, capable of taking lateral stresses and offering greater protection against air raids than brick-built houses, may come into favour. The total consumption of bricks may, therefore, be expected to decline in the current year. And, owing to their higher overhead costs, due to mechanisation, it would not be surprising if the fletton manufacturers intensified their drive to obtain a still larger share of the total, but dwindling, market.

Finance and Banking

The Turn of the Year.—The credit stringency accompanying the turn of the year continued almost up to the very last moment of the old year. When the discount market took loans for periods up to ten days on Friday, December 30th, it was widely assumed that all the necessary borrowing at the Bank of England had been made, and that Saturday morning, the last day of the year, would provide something in the nature of an anti-climax. In fact, the market had to go to the Bank for a further moderate amount on Saturday and, of course, had to take its accommodation for nine days. The total borrowed from the Bank over the turn of the year can be approximately estimated from the Bank return published this week. This shows discounts and advances to have risen by £20,367,000. This figure, plus the previous week's increase of £13,600,000, represents the amounts repayable to the Bank on January 5, 6, 7 and 9. This year, therefore, the Bank appears to have made its loans to the discount market on the basis of a total quota of daily maturities of about £8,000,000. One full quota of £8,000,000 was repaid on Wednesday of this week, and about £3,000,000 which had been borrowed by the market on Christmas Eve was repaid on Monday. These two amounts must be added to the increase in discounts and advances shown in the Bank return. The resulting total of about £45 millions may be taken as the amount which the market was on this occasion forced to borrow from the Bank of England. There can have been very few precedents for a "squeeze" of this severity.

With the turn of the year and the reflux of currency from circulation, the inflation of the credit basis due to temporary borrowing at the Bank made itself felt in full force. The clearing banks immediately became keen buyers of bills at their minimum rate of $\frac{1}{2}$ per cent. and money on Monday and Tuesday became almost unobtainable. The position is, however, changing rapidly. As Bank of England loans are being repaid, the superabundance of credit is disappearing. Bond money which found few takers at $\frac{3}{8}$ per cent. on Monday was keenly bid up to $\frac{1}{2}$ per cent. towards the end of the week. The growing scarcity of Treasury bills of which this week's tender is a token (£25,000,000 offered against £50,000,000 maturing) must tend to exert a powerful downward pull on discount rates. On the other hand the speculation against sterling and the maintenance of an abnormally high premium on forward dollars provides a less apparent but equally powerful pull towards higher money rates here. The one month dollar is quoted at a premium equal to $2\frac{1}{2}$ per cent. per annum. The three months rate equals $1\frac{1}{2}$ per cent. per annum.

Unless these rates are appreciably reduced the swap transactions to which they give rise must provide a serious threat to the cheap money policy of this country. This position needs careful watching.

Restoration of Gold Embargo.—At the request of the Treasury the Bank of England has asked the banks and the bullion market to refrain from transactions in forward gold and also not to facilitate loans against gold. A similar request was made in the summer of 1935, when the banks also agreed to scrutinise all foreign exchange operations, particularly those in the forward market. Last May these requests were withdrawn, in so far as they applied to gold, and there has since been a considerable amount of business in forward gold, while arbitrage and other purchases of spot gold have to some extent been financed with borrowed money. In view of the present weakness of sterling, which has proved the occasion for speculative operators, the gold embargo has now been restored in full force. The request to scrutinise foreign exchange operations, which once was withdrawn, has also been repeated. These announcements were made as *The Economist* was going to press, and so further comment must be reserved. We estimate, however, in a leading article the extent of the gold losses during the past three months.

French Bank Rate Reduction.—The return of funds to France continues unabated. It has provided by far the most potent single factor in the foreign exchange market this week, and has made possible a further step in the cheap money policy which M. Reynaud rightly regards as an essential part of his programme of financial reconstruction. This week the Bank of France reduced its discount rate from $2\frac{1}{2}$ per cent. to 2 per cent., and emphasised the significance of the move by choosing to make it on Tuesday, i.e. on the first possible opportunity after the year-end holidays, rather than waiting until Thursday the customary day on which Bank rate changes are announced in France. This reduction is on this occasion a genuine reflection of the trend in market rates. The day to day money rate in the Paris market has fallen to around $1\frac{1}{2}$ per cent., and the open market discount rate at $2\frac{1}{2}$ per cent. is fully in line with the level to which the official rate was lowered this week. Keeping pace with the fall in money rates in France the discounts on forward francs have been steadily narrowing. The one month rate is now

quoted around par while the discount on three months francs is a mere 40 centimes. In their control of the spot market for francs the French authorities have continued to avoid a policy of rigid pegging either against sterling or dollars. Their experience has suggested that the repatriation of capital tended to slow down whenever they let the franc depreciate *pari passu* with sterling in the latter's recent fall against the dollar. They have consequently allowed the franc to appreciate to some extent against sterling, the rate this week moving from 176 $\frac{1}{2}$ to 176 $\frac{3}{4}$. This movement may proceed further. It need not, as has been suggested recently, find an immovable barrier at the rate of 170 francs to the £—the rate on the basis of which the gold stock of the Bank of France was revalued last November. That revaluation was effected at the gold parity indicated by the then current sterling rate of 170 francs and the sterling gold price of 146s. 9d. per ounce. If the sterling price of gold is to soar above 150 shillings, there is no reason why the franc should not appreciate below 170 francs to the £, unlikely though such a movement would be. It is significant, however, that a fairly vocal and by no means unimportant body of financial opinion in France should lately have pleaded for a policy of closer attachment between the franc and the dollar, in view of the falling trend of sterling *vis-à-vis* the latter.

The Silver Squeeze.—A fair number of bears were caught in London by the decision of the United States authorities to leave the American prices for both domestic-mined and foreign silver unchanged after the New Year at 64.64 cents and 43 cents per ounce, respectively. Many operators had been confident that there would be a reduction, and so had sold forward for near delivery dates in January. The moment the American news was received they rushed to cover, and in doing so drove the London

cash price at Tuesday's fixing up from 20 $\frac{1}{8}$ d. to 21 $\frac{1}{8}$ d. per ounce. The forward market was not directly affected, and so the forward price only rose from 19 $\frac{1}{8}$ d. to 20 $\frac{1}{8}$ d. per ounce. This bear squeeze raised the cash price to a point where it actually paid American producers to ship to London, and a fair amount of this silver came on offer, with the result that on Tuesday afternoon the cash price eased by $\frac{1}{8}$ d. per ounce. On Wednesday morning, however, the American producers fixed higher limits, with the result that the price at the fixing was 20 $\frac{1}{8}$ d., or only $\frac{1}{8}$ d. higher than the price current on the previous afternoon. The forward price was unchanged. Profit-taking by bulls has also brought some silver on to the market. There is still a certain amount of bear covering to be effected, but once this is complete it is felt in the market that current prices will be found to be too high. Unlike previous years, when the American prices have been fixed for twelve months ahead, on this occasion the current price for domestic silver only holds good until June 30, 1939. The reason is that the silver legislation is due next summer to be reviewed by Congress.

A Year's Bank Clearings.—The total of bankers' clearings for 1938 gives clear evidence of the influence of the recession upon general spending, even if allowance is made for the fact that certain modern forms of payment do not pass directly through the Clearing House. Town clearings show a decrease of 7.7 per cent. since 1937, while metropolitan, country and provincial clearings have shrunk respectively by 3.9, 3.4 and 14.5 per cent. The decrease in town clearings largely reflects the recent inactivity on the Stock Exchange, for clearings on settling days alone show a drop of 13.8 per cent. The decline in provincial clearings represents the depression in the textile areas, which

Guaranty Trust Company of New York

Incorporated with limited liability in the State of New York, U.S.A.

Condensed Statement, December 31, 1938

RESOURCES		LIABILITIES	
Cash on Hand, in Federal Reserve Bank, and due from Banks and Bankers ...	\$788,474,638.41	Deposits ...	\$1,597,492,947.40
U.S. Government Obligations ...	486,310,848.29	Outstanding Cheques ...	22,485,473.06
Public Securities ...	48,921,515.25		\$1,619,978,420.46
Stock of the Federal Reserve Bank ...	7,800,000.00	Acceptances ...	37,336,308.38
Other Securities ...	20,506,621.56	Less: Own Acceptances held for Investment ...	16,346,892.02
Loans and Bills Purchased ...	528,846,450.25		20,989,416.36
Credits granted on Acceptances ...	20,989,416.36	Liability as Endorser on Acceptances and Foreign Bills ...	3,914,858.00
Bullion Abroad and in Transit ...	173,463.00	Dividend payable January 3rd, 1939 ...	2,700,000.00
Items in Transit with Foreign Branches ...	5,571,535.22	Miscellaneous Accounts Payable, Accrued Interest, Taxes, etc. ...	21,374,545.57
Accrued Interest and Accounts Receivable ...	18,428,401.02		1,668,957,240.39
Real Estate Bonds and Mortgages ...	2,115,836.92	Capital ...	\$90,000,000.00
	\$1,928,138,726.28	Surplus Fund ...	170,000,000.00
Bank Buildings ...	12,143,011.51	Undivided Profits ...	12,808,420.32
Other Real Estate ...	1,483,922.92	Total Capital Funds ...	272,808,420.32
	\$1,941,765,660.71		\$1,941,765,660.71

Securities carried at \$20,553,154.84 in the above Statement are pledged to qualify for fiduciary powers to secure public monies as required by Law and for other purposes.

32 Lombard Street, E.C.3

50 Pall Mall • SW1

Bush House • WC2

NEW YORK • LIVERPOOL • PARIS • BRUSSELS • HAVRE • ANTWERP

ACTUARIES' INVESTMENT INDEX, DECEMBER 31, 1928=100

Group (and No. of Securities)	Dec. 28, 1937	1938				
		Mar. 29	June 28	Sept. 27	Nov. 29	Dec. 30
2½% Consols	132.7	130.7	131.5	119.1	126.6	125.3
Misc. indus. deb. (13)	121.5	121.3	120.4	118.7	119.7	119.6
Misc. indus. pref. (26)	115.6	113.2	112.8	111.6	111.4	110.5
Building (6)	86.9	75.0	80.1	69.1	75.0	69.2
Coal (9)	105.8	92.6	83.6	69.0	82.8	78.8
Iron and steel (17)	65.9	57.1	54.3	45.4	53.8	54.1
Motors (6)	38.5	34.4	34.0	30.5	34.6	32.8
Home rails (4)	70.6	57.8	50.4	34.2	33.7	35.0
Breweries (20)	133.1	120.6	126.3	112.2	111.7	108.9
Miscellaneous (20)	66.4	58.5	60.5	53.7	59.1	58.3

Stock Exchange Turnover.—We present below our customary comparative table showing the average excess of Bank Clearings on Settlement days over non-Settlement days during the past three years, as a guide to movements in Stock Exchange turnover. The "non-settling day" average figures are obtained by deducting the total clearings on Settlement days from the total clearings for the year, and dividing the difference by the number of non-Settlement working days—counting Saturday as three-quarters of a full working day. The proportion of the total clearing directly connected with Stock Exchange business is, of course, higher than the percentage increase shown on Settlement days, since there is a substantial Stock Exchange clearing turnover on all working days and especially those immediately following the Settlement:—

(£ millions)		1936	1937	1938
Grand total of clearings on non-Settlement days		36,463	38,442	35,951
Daily average		134.4	142.9	133.3
Daily average on Settlement days		173.0	176.8	152.4
Increase on Settlement days:—				
Amount	38.6	33.9	19.1	
Per cent.	28.6	23.7	14.3	

This latest year's figures show some striking changes. The average increase in the clearing on Settlement days at £19.1 millions is little more than half of the increase on Settlement days in 1937 and less than half of the increase shown in 1936. In fact, the increase in 1938 is approximately back to the level of 1932.

The significance of this drop is even greater when the effect of Gilt-edged clearings is taken into consideration. Since Gilt-edged dealings are for cash, the clearing in respect of such transactions is fairly evenly distributed and is not to any important extent concentrated upon Account days. From the condition of the market it is tolerably clear that turnover was very low last year and certainly much lower than in 1932. Hence the clearing figures would support the two propositions that the volume of Stock Exchange business in 1938 was not more than half that of 1937 and at a lower ebb than in 1932. It is possible, indeed, that these figures give a rather rosy impression of the relative state of market activity, for the clearing totals do not, of course, reflect to any extent the drop in dealings closed within the Account

or to any appropriate extent the decline in Contango business. Under normally active conditions, the average broker does not retain more than a quarter of his gross takings as net profit, after allowing for rebate of commissions and expenses, and about half of the expenses are proportionate to turnover. Last year was indeed a lean time for members of the Stock Exchange.

First Banking Results.—If the first banking dividends prove a representative sample, shareholders will have no reasonable complaint against the outcome of 1938. Indeed, the first of the clearing bank announcements came as an agreeable surprise to the market, Martins Bank's dividend being raised from 14 per cent. to 14½ per cent. In the previous year the total distribution was increased to 16 per cent. by a delayed centenary bonus of 2 per cent., but there was no suggestion that this special distribution would be repeated. Barclays Bank has maintained its dividend, alone among the clearing banks, throughout depression and recovery, and its 14 per cent. payment, announced on Tuesday, has come to be regarded almost as an institution. On a superficial comparison, Martins Bank's earnings show a further increase of £19,363 to £872,929, but the comparison is invalidated by the fact that in 1937 profits were struck after payment of a centenary bonus to staff, which may well account for the whole of the year's apparent increase, or more. Whatever the real trend of earnings may have been last year, however, there can be no doubt that this bank has made substantial progress since 1936, when profits were only £769,988. Pension fund again receives £100,000, the allocation to premises account is increased from £75,000 to £100,000, and £50,000 is transferred to reserve (which now amounts to £3,550,000 against a paid-up capital of £4,160,042), leaving the carry-forward £19,723 higher at £328,730.

For the banks as a whole, actual earnings last year (before provisions) may have been somewhat higher than in 1937, since advances (despite their downward trend since March) have averaged £25.6 millions more, while investments have run only £15.0 millions lower. On the other hand, increased provisions have probably been required for doubtful debts and contingencies, especially since the depreciation in securities must have encroached to some extent upon hidden reserves. Hence the decrease of £207,367 to £1,926,458 shown by Barclays Bank profits is not altogether surprising, particularly since the increase of £6.8 millions in this bank's average advances from January to November last year has been appreciably lower than the reduction of £9.7 millions in the average investments portfolio. The presumption that very conservative accountancy has been employed is, however, suggested by the substantial allocation of £250,000 to contingency account. Total allocations amount to only £400,000, against £700,000 in the preceding year, when £500,000 was placed to general reserve. In 1937, however, the carry-forward was reduced by £128,377, whereas this year it is increased by £16,329 to £527,720. The Midland Bank's net profit of £2,445,671 shows a decrease on the year of only £62,338, while the reduction of the gross profit appears to have been even less. Provision for contingencies has been raised from £300,000 to £500,000, which, together with a transfer of £150,000 to premises account (against £400,000), makes total allocations of £650,000, against £700,000, the carry-forward after payment of the 16 per cent. dividend is £37,271 higher at £628,315. It may be noted that the favourable movement with Barclays Bank results last year is largely an apparent one, since this bank showed a large increase in profits for 1937 and last year earned more than in 1936. As was expected, the District Bank distribution for the year was raised to 18½ per cent. (against 17½ per cent.). Net profits of £508,808, against £519,255, indicate rather higher gross earnings. Williams Deacon's dividend is unchanged at 12½ per cent., and profits show only a trifling decline at £301,418. Since the dividend (shown gross) absorbs £234,375, allocations of £130,000 leave the carry-forward £62,957 lower at £85,635.

Discount Dividends.—Again last year the discount market demonstrated its ability to earn very satisfactory profits under apparently adverse conditions. Since the crisis, bill rates have admittedly shown a satisfactory margin over the cost of short money, but the average level for the first eight months of the year was even lower than in 1937. Moreover, the disappearance of outside bond money associated with the removal of foreign balances from this country must have occasioned some reduction in the bond portfolios even of those houses which were able, thanks to their abundant hidden reserves, to avoid any liquidation of securities at the unfavourable prices ruling during the crisis. In the event, none of the three large public companies has found it necessary to alter its distributions. Alexander's Discount dividend is maintained at 17½ per cent., to which level it was reduced last year from 19 per cent. The National Discount maintains, for the fourth successive year, a total distribution on the "B" shares of 26 per cent., including a bonus of 4 per cent.; and the Union Discount's dividend is unchanged at 10 per cent. on the capital as increased by the 1936 bonus issue. The preliminary announcements suggest that current earnings have been well maintained. Alexander's Discount carry-forward is raised by £2,500 to £131,000, indicating that net profits were fractionally higher at about £154,500. To meet the depreciation of investments, however, it was necessary to utilise the whole of the £300,000 transferred to investment reserve in 1934 and 1935. Since last year's balance sheet showed that investments accounted for over 48 per cent. of the balance-sheet total, excluding rediscounts, this provision occasioned no surprise. The corresponding percentages were 31 per cent. for the National and, for the Union, according to the balance-sheet classification of assets, less than 16 per cent. The Union Discount's preliminary figures indicate an increase of some £10,600 in net profits to about £261,000, while those of the National showed a rise of £6,000 to £195,000. Whether the increased earnings in this case are at all attributable to the acquisition of Reeves, Whitburn and Company last July will only be indicated by the balance-sheet figures, though it would be surprising if these showed any expansion. Some £50,000 is again put to reserve, though pensions receive £5,000 against £10,000. The carry-forward is little changed at about £217,000.

Home Railway Earnings.—With a further fall of £274,000 in the fifty-second week of the year the four home railways have completed 1938 with a gross traffic loss of £7,056,000. The fall of 4.29 per cent. is more favourable, at first sight, than the average fall of 6¼ per cent. in *The Economist* index of business activity, but it must be remembered that the railways had the benefit of the basic 5 per cent. increase in the charges throughout the year, and when comparison is made with 1929 (*The Economist* index is still running above the level of that year) the plight of the railways is immediately obvious. The companies were comparatively successful in maintaining passenger receipts within £140,000 of the 1937 level, but coal and coke receipts fell by £1,482,500 and merchandise by no less than £5,433,500. It is evident, indeed, that road competition is skimming even more of the cream from railway business. In the following table we bring up to date the estimates published in *The Economist* of August 13th and November 12th (when the basis of the calculations was fully explained) of a reduction in railways earnings during the whole of 1938. It should be emphasised that no allowance is made in these figures for increases in ancillary receipts during the second half of the year:—

RAILWAY EARNINGS ESTIMATES (Amounts in £'000's)					
	Second half-year			Reduction in net revenue first half-year	Total estimated reduction, full year
	Fall in traffic	Increased costs	Reduction in direct costs due to lower traffic volume		
L.M.S.	2,423	520	800	1,496	3,639
L. & N.E.	1,812	525	600	1,780	3,517
G.W.	926	260	300	818	1,704
S.R.	54	225	20	574	833

The estimated reductions in net receipts shown above suggest that L.M.S. first preference may have earned 3½ per cent. last year, G.W.R. ordinary approximately ¾ of 1 per cent., and Southern preferred approximately 3¼ per cent. The L.N.E.R. figure suggests that the second guaranteed stock dividend has been short-earned by at least ½ per cent. By the time this Note is read the market will probably know whether its anxieties regarding the dividend have proved justified.

Chinese Customs Revenue.—The Japanese "incident" has made no difference to the invariably prompt publication of the Chinese Customs Revenue figures for 1938, amounting to \$254,570,000. For a state of war the total compares very favourably with \$342,899,739 for 1937. But the figure appears to be a purely notional one so far as the bondholders are concerned, for the Inspector-General of Customs, Sir Frederick Maze, reports that no quota towards the loan and indemnity services has been received from areas under Japanese control except for a single remittance from the Shanghai Customs last June. Hence the services of the Customs loans was only maintained because the Chinese Government provided the balance from its own attenuated revenues. Bondholders may well ask what the point of the Chinese Customs agreement, negotiated between the British and Japanese authorities last May, really amounts to in practice. It was then understood that all Customs revenues from ports under Japanese armed control would be remitted to the Yokohama Specie Bank and that foreign loan quotas would then be remitted to the Inspector-General of Customs sufficient to meet in full foreign loans and indemnities secured on the Customs revenue. It would seem, indeed, that the agreement has never been given practical effect, and it has certainly lacked the consent of the Chinese Government itself, whose anxiety to maintain its debt payments under extreme stress cannot be too highly commended.

Foreign Bond Movements.—The course of quotations during December sets the seal upon a thoroughly unsatisfactory year for the foreign bondholder. Further falls to new low levels have occurred, and for all groups comprised in the foreign bond index calculated by Municipal and General Securities Company the December index is the lowest of the year. Movements 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-quoted Bonds	Defaulted Bonds	
				States	Provinces	Total				
1937 December	(28) 98.4	(31) 81.6	(4) 98.6	(35) 82.6	(11) 75.0	(46) 60.7	(109) 85.8	(54) 86.6	(55) 85.0	
1938 March	83.4	73.9	97.2	61.3	49.4	58.2	69.6	74.9	64.8	
June	(27) 89.0	68.5	98.0	65.9	51.2	62.0	(108) 71.1	(48) 76.5	(60) 67.0	
September ..	(26) 88.5	66.2	96.1	57.7	44.4	54.2	(107) 66.1	(47) 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	59.0	
December	78.1	64.2	87.0	53.7	40.7	50.2	61.3	68.7	56.0	

N.B.—Figures in brackets denote number of bonds included.

European and Central and South American issues suffered worst in December, and a further severe fall in Egyptian

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

A REASONABLE PRECAUTION

is for every responsible citizen to protect his dependants by securing Life Assurance now. Obtain advice on a suitable Policy from the

NATIONAL PROVIDENT INSTITUTION

for MUTUAL LIFE ASSURANCE

ESTABLISHED 1835

48 Gracechurch Street, London, E.C.3

issues occurred on fears for the future of the Mediterranean and the Suez Canal. The 28 per cent. fall in the complete index for 1938 is almost wholly due to political factors. Concern for the future has, in fact, played a larger part than actual infringements of service during the past year. This point is illustrated by the 35 per cent. fall in South and Central American State issues, although the few actual changes have been in favour of the bondholder—such as the increase in the Chilean and the Peru Guano loan services. In Europe, again, the Bulgarian payments were increased. But it is still impossible to secure acceptable terms for the resumption of Greek and Brazilian payments.

* * *

Lancashire Cotton Results.—The Lancashire Cotton Corporation's year runs to October 31st. Its latest accounts therefore cover a period of almost continuous recession from the prosperity of 1937. November, 1937, saw 90 per cent. of Lancashire's spindles still in full production, a level of activity only just below the peak of 92 per cent. maintained from February to October of that year, and close enough to practical capacity. From November, the first month of the Corporation's year, the fall was steep and continuous to 50 per cent., which persisted from May to August, 1938, giving way in the last two months of the company's year to a very slight recovery to 58 per cent. But rates were already being cut by that time. The effects, as reflected in the Lancashire Cotton profits, are shown below:—

	Years to October 31,		
	1936	1937	1938
Trading profit	127,899	593,194	289,208
Interest, etc., received	8,566	15,636	18,992
Total profit	136,465	608,830	308,200
Directors' fees, etc.	13,932	3,960	3,775
Depreciation	Nil	155,000	155,000
Debt interest	43,750*	75,000	75,000
Earned for pref.	78,783	374,870	74,425
Pref. div.	Nil	68,875	68,875
Earned for ord.	...	305,995	5,550
Earned % for ord.†	...	18.4	0.3
To reserve	Nil	150,000	Nil
Carried forward	78,783	234,778	240,328

* April 1–October 31 only.
† No ord. div. has been paid.

In the circumstances of 1937–38, a fall in gross trading profit from £593,194 to £289,208 is not surprising. Indeed, it is probable that old contracts carried in from 1937 cushioned the fall, and that part of the benefit which they contributed to the 1937–38 profits has been put to an internal reserve against the harsh prospect for 1939. At any rate, the directors record that, "in view of the uncertain position of the trade, certain reserves had to be made after fixing stock values, in order to prevent the current year's accounts being adversely affected when deliveries are made against contracts booked in the period ended October 31, 1938. These reserves also provide for the sales of certain stocks, should this be found necessary or desirable, at prices which may be even lower than stock values." Since stocks are valued "at cost or market price, whichever was lower," this last comment is no doubt intended to convey that the Corporation is quite prepared to sell below cost if other concerns begin a price-cutting race.

* * *

That being so, it is well to observe that the 1937–38 profits only cover the preference dividend with a small margin, and that the dividend is non-cumulative. On the other hand, the balance sheet shows that, if a hard time lies ahead, the Corporation has been able during 1938 to make financial preparations. Though a rise in stock has not

been avoided (from £1,096,469 to £1,140,411), it has been possible to withdraw from debtors and bills more than enough to finance the bigger stock, and cash reserves retained for depreciation (which is maintained at the full £155,000) are free to swell cash and investments, cash rising from £398,292 to £564,228 and investments from £95,566 to £146,329. The importance of cash reserves in a period of rate-cutting is obvious. In general, it is difficult to draw long-term conclusions from so disturbed a period as 1937–38. What does seem clear, however, is that the 1937 experiment of rather sharply increased margins was a failure. Quite apart from the misfortune of trade recession following rapidly after the rise in margins, the rise in exports of spinning machinery to foreign countries, combined with the relatively greater degree of the recession in cotton textiles, suggests that in the present world textile situation it would be imprudent to count on any but a very small permanent increase in spinning margins over the 1936 level. That being so, it remains for still greater efficiency and improved organisation to increase the profits of the trade, in which Lancashire Cotton Corporation enjoys the advantage of a considerable degree of rationalisation.

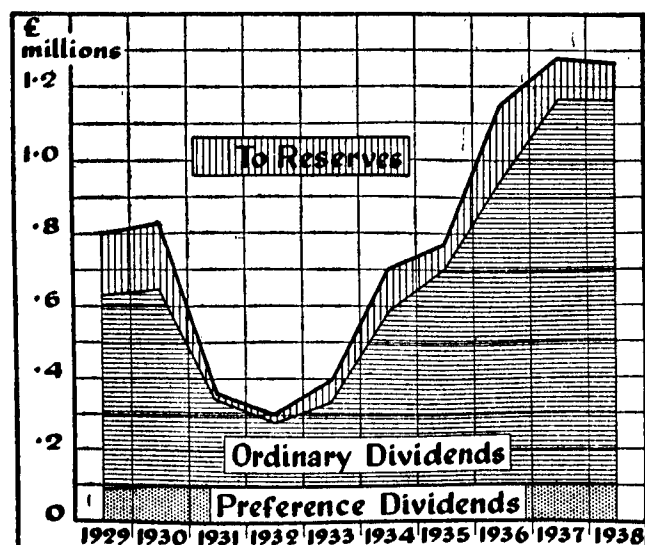
* * *

Turner and Newall Prospects.—The preliminary profits figures of Turner and Newall (discussed in *The Economist* of December 17th last) showed that although net trading profits had slightly increased, actual equity earnings had been reduced from £1,182,391 to £1,166,596 owing to an increased charge for N.D.C. These figures are confirmed by the full report, whose main interest consequently lies in the statutory and consolidated balance sheets and in Sir Samuel Turner's speech, which accompanies them. It may, perhaps, be pointed out that the profits disclosed by the parent company include the net profits of the subsidiary companies as shown by their audited accounts; they therefore represent, in effect, the consolidated profits of the whole group. The results of the past three years are analysed in the following table:—

	Years ended September 30th		
	1936	1937	1938
Profit	1,343,527	1,543,876	1,650,386
Depreciation	120,418	122,117	130,693
Taxation	56,756	125,164	238,749
Fees, and staff fund	13,045	13,106	13,250
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
General reserve	200,000	100,000	100,000
Carry forward	99,069	115,770	116,610

Our chart below demonstrates the spectacular progress which the group has made in the past eight years:—

TURNER & NEWALL PROFITS—1929–38



Since 1932, in fact, distributable profits have jumped from £300,671 to £1,267,694, while the amount of the ordinary dividend has increased from £181,647 to £1,065,756, on an equity capital increased from £4,843,933 to £5,328,777.

* * *

If it is fair to single out any one branch of the undertaking which has contributed most to this expansion, it is probable that the asbestos cement section best fills the part. It is significant that although asbestos textiles were affected both in home and export markets last year, the turnover of Turner's Asbestos Cement reached a record. The chairman points out that new products have more than compensated for the decline in certain asbestos cement products—an illustration of the secular expansion of this branch of the business, which is now supplied by new factories, while another factory is building at Erith. The progress of the Keasbey and Mattison plants towards "the standard of efficiency to which Turner and Newall are accustomed . . . in the United Kingdom" is of long-range importance for the group. As for its asbestos mining interests, the Havelock Mine should be in production this year, and a new shaft is to be sunk at the Bell Mine in Canada. The group's financial resources should be fully adequate to deal with the remainder of the 1936 extension programme, for its net current assets amount to £3,919,000, while cash holdings exceed £2½ millions. As for the future, the chairman's speech refers to a "distinct falling off in sales during the last few months in certain sections," and recovery depends on the restoration of stable political conditions. For the current year, therefore, profits are unlikely to show expansion. But the £1 ordinary stock units, at 7½s., to yield £5 4s. per cent., constitute a valuable long-term holding.

* * *

Oil Dividends and Profits.—This week's announcements of maintained interim dividends by Royal Dutch and "Shell" Transport (the former at 6 per cent. and the latter at 7½ per cent. tax free) have considerably encouraged the oil share market. Both London and Amsterdam had feared that falling crude prices in the United States might even involve some reduction in the dividends, but their maintenance suggests that the American oil position has not proved so great a burden as was feared in 1938. A maintained interim dividend (of 5 per cent.) is also announced by Lobitos Oilfields, whose interim last year was followed by a 10 per cent. final payment. The Apex (Trinidad) full report shows that the 5 per cent. cut in the dividend overstates the actual change which has occurred in the trading position. The company's output of crude oil (which is sold to Trinidad Leaseholds) reached a new record of 562,942 tons in 1937–38, against 550,026 tons in 1936–37. But the average price per ton obtained fell from 17s. 6d. to 16s. 10d., and total profits were reduced by about 1 per cent. to £486,149. Well amortisation, however, is provided for at an even more generous level than in previous years; the normal provision has been increased by nearly £20,000 to £158,604, and in addition, a special allocation of £10,000 is made. As a result, the amount earned for dividend is approximately £31,000 lower at £229,814, representing earnings of 42.4 per cent., against 48.3 per cent. in the previous year, so that the dividend is covered by about the same margin as in 1936–37. In accordance with recent practice, no allocation is made to general reserve, but the carry forward is increased, by £9,815 to £128,371. General reserve now stands at £370,000, owing to the transfer of £150,000 share premiums arising from the share issue made two years ago. The board's strict depreciation policy has produced a strong balance sheet, in which fixed capital now amounts to £703,966 net, against £673,126, although a gross amount of £233,356, against £204,927, was spent on capital purposes during the year. At the current price of 27s. 4½d. cum dividend, the 5s. shares yield £7 14s. per cent.

Jute Industries Setback.—Jute Industries' trading experience in the year ended September 30, 1938, resembled that of the previous year, for conditions were not uniform throughout the period. The latter part of 1936–37 saw a decline in demand from the U.S.A., and it was only at the end of 1937–38 that some revival occurred in this trade. But British Government orders for sandbags, which represented but a fraction of the 1936–37 turnover, were more important in the latest period, and helped to reduce overheads by recalling idle machinery into use. These factors, however, have been unavailing against continued competition from Indian-produced jute goods, for the company's total profits are down from £123,451 to £89,304. In 1936–37, strikes in Indian mills lasting several months assisted the Dundee manufacturers to maintain their position, but last year the full force of competition was felt. But the drop in profits is, perhaps, more severe than might be expected from the state of trade described in the report, though it does not indicate that revenue has been charged with any special provision against stocks. In 1936–37, however, raw material prices rose sharply, and stocks increased from £463,533 to £580,960; thus, the fall to £493,562 last September suggests that inventory values may have played some part in the year's setback. Meanwhile, shareholders are spared the full force of the 28 per cent. decline in total profits, for depreciation and obsolescence (provided for at an exceptionally high rate in 1936–37) receive £15,000 less at £55,000. But even with this saving, the amount available for dividends, at £32,363 against £53,451, barely covers the 3 per cent. distribution on the 8 per cent. non-cumulative participating preference shares. The maximum rate of preferential dividend has not been paid since the capital reorganisation in 1929, and no ordinary dividend has been declared since the company was formed in 1920. The company's difficulties, indeed, are of a secular character, and are only affected incidentally by changes in the trade cycle.

* * *

The Week's Company Profits.—The first week of 1939 has produced only a small number of company reports, among which Turner and Newall is by far the largest. Our usual analysis of profit and loss accounts appears on page 54, and comprises 23 companies, apart from two for which comparable figures are not available. Their net profits amount to £3,104,000, compared with £3,876,000 earned in their previous years. The results are discussed in preceding Notes, and on page 36, under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—In this issue, reports of company meetings begin on page 42. Sir Charles Gordon's survey of conditions in Canada, made at the *Bank of Montreal* meeting, was discussed in a Note on page 720 of last week's *Economist*. At the *Burma Corporation* meeting, Mr P. E. Marmion pointed out that the combined contribution of lead and silver to total revenue had again risen, this time to the high level of 80 per cent., and in reviewing the position of the ore reserves, he repeated an estimate made a year ago that the ultimate recovery of excess ore might reach 750,000 to 1,000,000 tons, of which only 124,021 tons had actually been absorbed into reserve calculations. Mr Marmion then reviewed the trend of metal markets and consumption in 1937 and 1938, and drew attention to the recovery in prices that had occurred since the end of the financial year. Addressing *Bullin's Ltd.* members, Colonel Sir Thomas A. Polson revealed that owing largely to increased accommodation, the trading profit of the Skegness holiday camp had risen by 50 per cent. At the *British Vacuum Cleaner and Engineering* meeting, Mr H. Cecil Booth stressed that while most of the business was concerned with domestic-type cleaners, good progress was being made in the development of new lines.

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.

Industry and Trade

Self-Help for Farmers.—The attendance at the Oxford Farming Conference, which has now become an annual event, is a convincing proof that British farmers have still some time to spare, in the intervals of their political activities, for the practical work of modernising farming methods. The papers and the keen discussions which followed them gave clear proof of the energy and success with which many farmers have tackled the problems of widely fluctuating prices and steadily rising labour costs. The growing of a higher proportion of cash crops, the elimination of the green or bare fallow, the substitution of dairy herds for the bullock-fattening yards, and the greater emphasis on pigs and poultry have involved radical breaks with old traditions, but such changes have increased the output and the profits of many British farms. It was generally recognised that the rise in agricultural wages had stimulated the adoption of labour-saving methods and the better organisation of the farm's labour supply; many

speakers emphasised the importance of special bonuses or piece-rates in giving the agricultural worker a financial interest in his daily tasks. Still further mechanisation, a weekly or fortnightly free day and a week's holiday with pay were regarded by many speakers as essential if able men were to be retained on the land; one speaker put in a plea for an agricultural training school for agricultural workers, financed by farmers themselves, on the lines of the apprentice schools set up in other industries. More than one speaker pointed out, however, that the increased leisure demanded by farm workers was difficult to arrange on the small farm employing perhaps only one or two men, and it is on these farms also that further mechanisation is impeded by the high cost, both of purchase and of depreciation, of modern machinery relative to the small area. The future in this country of the large farm, of, say, 300 acres or more, is assured, and there will always be a certain number of the small family farms round about 50 acres

SHORTER COMMENTS

Company Results of the Week.—The movement in profits of NEW ZEALAND AND RIVER PLATE LAND MORTGAGE, though small, is in the right direction. Net profits amount to £32,565 against £30,451, and the dividend is increased from 3½ per cent. to 3¾ per cent. One of the more satisfactory reports of the week is that presented by HOULDER LINE, whose net earnings amount to £151,663 against £140,193, despite poor crop conditions in the Argentine. In addition to the unchanged 7½ per cent. dividend a special tax-free bonus of 2½ per cent. is being distributed from a surplus on the sale of vessels. The total profits of ASSOCIATED PAPER MILLS have fallen from £116,720 to £110,022, and the fall in wood pulp prices during the year necessitated the writing down of stocks. PHARAOH GANE AND COMPANY, the timber merchants, have experienced a drop in net profits of some £22,500 to £23,757, owing to the large fall in timber imports last year. The report stresses, however, that 1937 was a boom year, and that the comparison of last year's profits with a five-year average is favourable. Profits of CLEVELAND PETROLEUM COMPANY show a sharp contraction from £572,566 to £314,639, though it is reported that the sales of the company's motor spirits have been well maintained. ENGLISH CLAYS, LOVERING POCHIN AND COMPANY have been affected, both in the home and export markets, by the year's disturbed political conditions, and both turnover and profits have declined. The ordinary dividend is reduced from 4½ per cent. to 2 per cent.

BANKING PROFITS & DIVIDENDS

Barclays Bank, Ltd.—Net profit for year to December 31, 1938, £1,926,458, compared with £2,133,825 in 1937. Dividends maintained at 14 per cent. on "B" and "C," and at 10 per cent. on "A" shares. To premises, £150,000 (£200,000). To contingency account, £250,000, against £500,000 to reserves. Carry-forward raised from £511,391 to £527,720.

Midland Bank, Ltd.—Net profit year 1938, £2,445,671, against £2,508,009. Dividend 16 per cent., as before, absorbing £1,758,400, against £1,764,049. To reduction of bank premises, £150,000 (£400,000). To contingencies reserve, £500,000 (£300,000). Carry forward raised from £591,044 to £628,315.

Martins Bank, Ltd.—Net profit year 1938, £872,929, an increase of £19,363 on 1937. This profit is struck after expenses, income tax, N.D.C., contingency account, and bad debts. The 1937 profit was struck after a centenary staff bonus also. Dividend

raised from 14 to 14½ per cent. For 1937, a 2 per cent. bonus was added in respect of the centenary, which took place in 1931. To reserve, £50,000 (nil). To premises, £100,000 (£75,000). To pensions, £100,000 (same). Carry-forward raised from £309,007 to £328,730.

Clydesdale Bank Ltd.—Net profit for year 1938, £316,941, against £320,250. Dividend 16 per cent. (same), absorbing £208,000. To reduction of bank buildings, £20,000 (same). Superannuation, etc., fund, £35,000 (same). Reserved surplus fund, £50,000 (same). Carry forward raised from £91,173 to £95,114.

District Bank Ltd.—Profit for 1938, £508,808, against £519,255. Dividend on "A" and "C" shares 18½ per cent. for year and on "B" shares 10 per cent. as before, absorbing £376,525, against £372,881. To pensions, etc., fund, £70,000 (same). To bank property, £60,000 (same). Carry forward raised from £285,610 to £287,893.

Williams Deacon's Bank Ltd.—Dividend for half-year on "A" and "B" shares is at rate of 12½ per cent. p.a. Net profits for 1938 (after expenses including £45,000 to staff funds, and contingencies), £301,418. Dividend absorbs £234,375; to bank premises £30,000; to reserve fund, £100,000. Carry forward, £85,635 (£148,592).

DISCOUNT COMPANY RESULTS

Alexanders Discount Company.—Ordinary dividend for final half-year at rate of 20 per cent. p.a., making 17½ per cent. for 1938 (as before). Carry-forward, £131,000 (£128,000). The directors have transferred £300,000 from investment reserve to write down investments to under market price.

National Discount Company.—Dividend on "A" shares 10 per cent.; and on "B" shares, final of 13 per cent. plus cash bonus of 4 per cent., making 26 per cent. for 1938 (the same). To reserve, £50,000. To staff pension fund, £5,000. Provisional net profits are £195,000 (£188,962). For 1937 the reserve allocation was £50,000 and £10,000 was set aside for staff pensions. The carry-forward was £216,762. It is announced that Mr Ronald Lambart Basset has been appointed to a seat on the board.

U.S. BANKING RESULTS

Bank of America.—Balance sheet total, December 31, 1938, \$1,574,721,670 against \$1,493,373,095 a year earlier. Surplus and profits, \$64,058,600 (\$59,104,964). Deposits, \$1,437,027,491 (\$1,357,378,756). Loans, discounts, etc., \$673,828,309 (\$630,668,811).

Central Hanover Bank and Trust Company.—Total assets, December 31,

1938, \$1,042,703,016 against \$934,774,000 at end of 1937. Cash, \$639,591,438 (\$342,481,000). Undivided profits, \$11,537,028 (\$10,476,000). Deposits, \$939,260,373 (\$831,259,000).

Chase National Bank of the City of New York.—Statement as at December 31, 1938, shows: Deposits, \$2,234,333,000, against \$2,069,990,000 a year ago. Total resources, \$2,523,167,000 (\$2,375,379,000); cash, \$861,439,000 (\$708,040,000); U.S. Government securities, \$639,878,000 (\$603,362,000); loans and discounts, \$638,734,000 (\$728,522,000). Capital, \$100,270,000 (same); surplus, \$100,270,000 (same). Undivided profits, \$35,247,000 (\$31,121,000).

Bankers Trust Company of New York.—Deposits on December 31, 1938, were \$890,465,428 (against \$819,473,017 at the end of 1937); cheques, \$21,833,118 (\$33,323,824). Surplus fund, \$50,000,000; undivided profits, \$29,464,115 (\$26,932,372); total assets, \$1,043,469,941 (\$975,069,368).

Guaranty Trust Company of New York.—Statement dated December 31, 1938, shows: Deposits, \$1,619,978,420 (against \$1,449,807,512 a year ago), and total resources, \$1,941,765,660 (\$1,781,934,937). Capital, \$90,000,000; surplus fund, \$170,000,000; undivided profits, \$12,808,420; cash, \$788,474,638; United States Government obligations, \$486,310,848; loans and bills, \$528,846,450.

Manufacturers Trust Company.—Balance sheet dated December 31, 1938, compared with September 30, 1938, shows: Deposits, \$655,486,078 (\$645,093,134); resources, \$769,305,594 (\$763,349,641); cash, \$197,452,981 (\$206,617,807); U.S. Government stocks, \$229,471,899 (\$183,374,045).

Brown Brothers, Harriman and Company.—The statement, dated December 31, 1938, shows total assets \$95,171,745 (against \$89,431,555 on December 31, 1937). Deposits, \$69,082,071 (\$58,799,155). Loans and advances, \$19,562,900 (\$19,521,678).

MISCELLANEOUS

Fanti Consolidated Investment.—Profit for 1938, £44,615 (against £76,539), including net profit on sale of investments, £7,156 (£35,917). From balance brought in, £32,427 transferred to reserve, making it £39,419, of which £34,419 used for year's investment depreciation. Dividend, 9½ against 12½ per cent. Forward (subject to directors' share of profit), £11,901 (£4,510 net).

Vorarlberger Illwerke.—Holders of 6 per cent. first mortgage sterling bonds have approved of a reduction in interest rate.

(Continued on page 50)

in size, whose occupiers consider themselves paid for their long hours of work by their independence. But modern methods of farming and the higher standard of working conditions demanded by farm workers put at a discount the medium-sized arable farm, which is too large to be independent of hired labour and too small to make the best use of recent technical progress.

Employment Marking Time.—Owing to the proportionately much smaller decline in employment than in business activity since the autumn of 1937, due, in part, to the reduction in average weekly working hours, the monthly employment and unemployment returns are not so sensitive an index of changes in industrial production as formerly. Thus, between November, 1937, and November, 1938, when *The Economist* index of business activity fell by 10 per cent., employment showed a decline of less than 2 per cent. Between November 14th and December 12th, the number of registered unemployed in Great Britain (inclusive of agriculture) rose by 3,000, compared with an increase of 166,000 during the same period in 1937. Although the increase was much less marked than a year earlier, our index of unemployment, which is corrected for seasonal variations, shows a further increase in December. The increase of 24,000 in the number of insured persons aged 16 to 64 in employment in Great Britain (exclusive of agriculture) between

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	Number	Index, adjusted for seasonal variations		
1937	'000	1935 = 100	'000	%	'000	1935 = 100
Oct. 18	1,390	68.5	1,160	9.9	11,664	112
Nov. 15	1,499	73.4	1,228	10.6	11,580	111½
Dec. 13	1,665	83.5	1,284	11.7	11,444	109½
1938						
Jan. 17	1,828	83.5	1,419	12.8	11,319	110½
Feb. 14	1,810	84.0	1,405	12.7	11,338	110
March 14	1,749	85.8	1,350	12.4	11,390	109½
April 4	1,748	87.9	1,321	12.3	11,412	109½
May 16	1,779	89.5	1,314	12.5	11,406	109½
June 13	1,803	91.0	1,269	12.8	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	12.5	11,455	110
Nov. 14	1,828	89.6	1,456	12.7	11,428	110
Dec. 12	1,831	91.9	1,474	...	11,452	110

November and December compares with a decrease of 136,000 during the same period in 1937. The increase last month, however, was not sufficient to alter our seasonally adjusted index of employment. A geographical analysis of changes in unemployment between November and December shows increases in the South Eastern, North Eastern and Northern divisions, as well as in Scotland and Wales; but there were decreases in London, in the South Western and North Western divisions and in the Midlands. Industrial changes are reflected in a rise in unemployment in building, public works contracting, the pottery and hosiery trades, but a fall in the distributive trades, in coal-mining, and in the cotton, silk and rayon, motor and aircraft, metal goods and engineering industries. In general, the returns for December give the impression that business activity has been marking time.

Steel and A.R.P. Shelters.—The tonnage of steel which will be required for air-raid shelters is exercising the minds of many people. Estimates ranging from 500,000

to 1,500,000 tons have been given, but probably a half-way figure would be nearer the mark. The subsidy of £20 millions announced by Sir John Anderson is expected to provide splinter- and blast-proof shelters for 10 million people, and these shelters will probably be chiefly of the small household type, capable of holding four or five people. The exact design of shelter which will qualify for the subsidy has not yet been announced, but it is probable that the Home Office will approve of a design utilising 14-gauge sheets with five-inch corrugations, curved in semi-circular fashion to fit a light 4 in. by 2½ in. joist arch. Such a shelter would weigh about 10 cwt., the cost of sheets, joists and erection would be about £10, and therefore 2,000,000 of such shelters could be erected for the £20 millions. On these assumptions the quantity of steel required would be 1,000,000 tons, of which approximately 50 per cent. would be joists and 50 per cent. corrugated sheets. If a lighter gauge sheet should be adopted, the tonnage of sheets would be reduced, and if a heavier or lighter joist than 4 in. by 2½ in. were approved, the ratio of joists to sheets would be altered. However, the probability is that the shelters will be on the lines indicated; but there is just the possibility that the Home Office may approve a design of "elephant" shelters (i.e. with 5-in. corrugations) for small private houses, without the use of joists at all. The difficulty at the moment appears to be to obtain the capacity for producing "elephant" sheets in the curved form desired; but no doubt, if necessary, the additional plant will be quickly provided. If the "elephant" shelter type, consisting of sheets only, is not adopted, the most probable alternative is the 4 in. by 2½ in. or 5 in. by 3 in. joist framework curved in semi-circular fashion and covered with galvanised corrugated sheets. In the lighter form of shelter, the tonnage of steel required would be about 8 per cent. of the annual ingot capacity of this country, and the sheet tonnage needed would be equivalent to about 20 per cent. of the capacity of the sheet-producing plant. This will prove a welcome filip to the industry.

Cotton Yarn Price-Fixing.—At the end of last week the members of the Egyptian-type mule yarn price agreement decided to give three months' notice to customers to terminate the 5 per cent. rebate on prices, which came into operation last August. The rebate was originally instituted in order to enable the members of the agreement to counter the competition of outside firms, and the 5 per cent. concession was granted to buyers who agreed to purchase yarn only from spinners adhering to the price convention. This action has been prompted by the fact that there will be no necessity for rebates or concessions of any kind when the proposed Enabling Bill becomes law. Meanwhile, further progress is being made with regard to the formation of a comprehensive price-fixing scheme for all American yarns. Meetings are being held in

THE BANK AS EXECUTOR

This is one of the many services which

BARCLAYS BANK

LIMITED

renders to its customers.

Full particulars may be obtained from any Branch or from

THE TRUSTEE DEPARTMENT
37 KING WILLIAM STREET, LONDON, E.C.4
27 REGENT STREET, LONDON, S.W.1

Manchester almost daily, and it is expected that a definite scheme will be sent to all spinners concerned within the next week or two.

* * *

Trouble with Bacon Contracts.—The revival in December last of the system of long-term contracts for bacon pigs meant that the bacon curers, after an interval of two years during which they obtained their pigs by purchase in the open market, are again dependent for their raw material on the contracts arranged through the Pigs Marketing Board. Since one of the reasons for the breakdown of the previous contract was the inability of some curers to obtain sufficient pigs, while neighbouring factories were working to capacity, the Pigs Marketing Board offered, under the terms of the new contract, a bonus of 2s. per pig to producers who left to the Board the choice of the factory to which the pigs were to be sent. At the same time, the Pigs Marketing Board reserved the right to reallocate, if necessary to secure equitable distribution of supplies among the curers, any pigs allocated to a particular curer. It may be remembered that the total number of pigs contracted for in 1939 amounted to only 1.4 millions, while the curers estimate that at least 2.2 millions are necessary to secure the most economical throughput. In order to spread the deficiency as equally as possible over all the numerous curers, the Pigs Marketing Board have had to divert large numbers of pigs from the curers to whom they were allocated. For this necessity the Board can hardly be blamed, but judging from the complaints that have inundated both the Board and the National Farmers' Union, the reallocation has been an extraordinarily haphazard affair. Pigs from Scotland have been ordered to Birmingham, and shareholders near co-operative factories have been told to send their pigs 50 miles or more to other factories, with consequently increased charges for transport to be paid by the Board. The trouble, of course, arises from the need to give all curers an equal share in what trade there is, a principle which, however just in theory, prevents the most economical conversion of the pigs into bacon when the supply of bacon pigs is less than the curing capacity. The remedy lies either in reducing this capacity, which no doubt the rationalisation schemes proposed in the Bacon Act will partly achieve, or in increasing the supply of bacon pigs.

* * *

Further Fall in Freight Rates.—The past year opened with tramp shipping freight rates in the midst of a sharp downward movement. The decline was temporarily arrested in August and September, but in October the index resumed its decline, which continued to the end of the year. The extent of the fall in freight rates since December, 1937, is shown below:—

The Economist INDEX OF FREIGHT RATES
(1898 — 1913 = 100)

	Average, 1913	Dec., 1937	Sept., 1938	Oct., 1938	Nov., 1938	Dec., 1938
European waters	110.0	140.8	107.7	110.5	108.0	109.1
North America	113.1	118.0	110.2	110.8	111.0	110.3
South America	123.4	109.4	121.3	117.2	116.0	113.2
India	106.3	141.2	113.7	112.7	108.1	106.4
Far East and Pacific	117.4	127.1	112.8	104.5	101.3	97.0
Australia	127.9	121.7	112.2	111.6	112.2	111.3
Total	116.3	126.4	113.0	111.2	109.4	107.9
1913 = 100	100.0	108.6	97.2	95.6	94.1	92.8

Moreover, as the next table shows, the downward move-

ment between November and December was noticeable on the majority of shipping routes:—

	Index No.	Inc. or Dec. Points		Index No.	Inc. or Dec. Points
Home trade	98.8	+ 3.6	South America:—		
Bay—outwards.....	121.1	— 5.5	Outwards	73.0	— 5.6
Bay—homewards.....	130.6	— 1.6	Homewards	158.4	...
Mediterranean:—			India—outwards	94.7	...
Outwards	75.6	+ 0.2	India—homewards	118.1	— 3.4
Homewards	129.8	+ 6.5	Far East, etc.	97.0	— 4.3
North America.....	110.3	— 0.7	Australia	111.3	— 0.9

The firmer trend of commodity prices on the world market, if maintained, should tend to arrest the downward movement in freight rates. The plight of the shipping and shipbuilding industries has been accentuated by the intensification of subsidised foreign competition. A Fact-Finding Committee, representative of the various sections of the shipping industry, has been examining the position. As the Government has already expressed its willingness to assist shipping the industry's recommendations are awaited with interest.

* * *

Co-operators and Bazaars.—The trade of the Co-operative Wholesale Society for the first nine months of 1938 increased by 3½ per cent. over that of the same period in 1937 to £89,024,875. This moderate advance was secured by an increase of £2,998,614 in grocery and provisions, of £280,236 in coal, and of £269,369 in the building and engineering departments. There were decreases in drapery, clothing, and boots and shoes, reflecting the reduced spending power of co-operators in the industrial areas and also the competition of the departmental stores and multiple shops of rival concerns. That co-operative societies are feeling the effects of these and the "increasing activities of the limited-price bazaar stores" is shown by a resolution to be moved at the quarterly meeting of the C.W.S. at the end of the month by the Hull society. This resolution calls upon the directors to examine the question in all its aspects and to submit "recommendations for the establishment of a chain of bazaar stores throughout the country, to be controlled and financed by the C.W.S." The Hull society further declares that "national operation and control is essential" to compete successfully with the bazaar stores. Thus the matter, which has been under review by many other societies, is to be determined in July. Meanwhile the supplies from the C.W.S. productive works have decreased by 2½ per cent. to £29,534,590 in the nine months ended October 8, 1938. Much of the decrease was due to the fall of £978,727 in the output of the nine flour mills, which had a production of £7,269,770, representing 8,340,302 sacks of flour and offals. There were also reductions in the biscuit and margarine works; while the turnover of the export department decreased by £31,168 to £340,308. Apart from foodstuffs, the smaller output of the flannel and woollen mills, the weaving sheds, clothing factories, cycle works, and fellmongering and tannery departments contributed to the lessening of the optimism with which the year started. On the other hand, the higher price of butter raised the production of the three factories to £2,173,086, although the weight of butter sent out was 359,748 cwt., a decrease of 9,163 cwt. Good improvement was recorded in the supplies from the hosiery, corset, shirt, mantle and furniture departments, suggestive of the intensive campaign now in operation to reduce the dependence on outside makers for supplies. The highest advance in any section of the C.W.S. for the nine months was in the milk business, whose turnover was increased by over £1,000,000, or 33 per cent., to £3,946,842.

* * *

Strong Tin Position.—The tin market has entered the New Year in an unusually strong statistical and technical position. The December statistics published by Messrs A. Strauss and Company, Ltd., on Tuesday, showed hardly any change in stocks. At 29,377 tons (representing less than two months' consumption at the present level) they were

6 tons higher on the month, although the market had anticipated a considerable decline. The difference between the actual changes and the market's expectations was due to the fact that world deliveries, at 5,778 tons, showed an unexpectedly sharp drop of 1,650 tons and reached the lowest monthly level for several years. The December deliveries were thus again well below actual consumption, so that consumers' stocks have declined further. After the continuous drain in recent months these "invisible" stocks must now have fallen to or even below the safety level. On the other hand, since the above total of the visible supply includes at least 8,500 tons of tin held by the buffer pool, the total of visible stocks has declined by some 5,000 to 6,000 tons on the year. This contraction in stocks will naturally force consumers to return to the market before long, particularly as consumption is on the increase. The world's apparent consumption figure for the first quarter of this year will almost certainly reach and possibly exceed 45,000 tons, while the present free market quota of 35 per cent. of the standard tonnages will keep world supplies (including outside supplies) in the same period below 30,000 tons. The tin market will thus become dependent on buffer pool releases within the next few weeks, so that the prospects for tin prices are exceedingly strong. It is to be hoped that the authorities will not allow another "squeeze" to develop as in the years 1933 to 1935.

* * *

Falling Platinum Prices.—The price of platinum, unlike those of other precious metals, has been decidedly weak of late. After rising from £6 12s. 6d. per fine ounce in May to £8 in August, the price fell in November to £7 10s. Even this level can hardly be defended for much longer. World consumption of platinum has decreased substantially this year and will hardly reach 400,000 fine ounces, while supplies will probably exceed their previous record level of 435,000 oz. by a small margin. As the leading producers of platinum, and in particular the International Nickel Company of Canada, are anxious to extend the market for their product, it is not likely that they will attempt to raise the price by the restriction of supplies. A further reduction in the platinum price, bringing it beneath the present high price for gold, could by no means be regarded as regrettable, since it would stimulate the use of platinum in the jewellery trade and in industry, and thus help to close the gap between the available supplies and prospective demand.

* * *

Wholesale Prices Rally.—The New Year has opened with a moderate recovery in wholesale prices. For Great Britain, the complete *Economist* index number has risen by 0.9 per cent. and the primary products index number by 1.8 per cent.; and these increases have occurred in spite of the New Year's reductions in iron and steel prices. In

the United States, the complete Irving-Fisher index number has risen by 0.7 per cent., and *The Economist's* primary products index number by 0.8 per cent.

SEPTEMBER 18, 1931 = 100

Date	The Economist Indices		Price of Gold (sterling)	U.S.A. Irving-Fisher	France, Statistique Generale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsamt
	British Complete Index (sterling)	Primary Products (sterling)					
1936							
Dec. 30 1937	131.3	163.9	187.3	166.7	128.8	113.0	116.3†
Jan. 27	134.2	164.2	184.5	167.0	131.0	115.9	115.4
Feb. 24	136.3	168.2	185.5	167.4	131.8	116.8	124.3
Mar. 31	144.3	181.9	199.7	167.4	137.3	121.8	126.2
Apr. 28	142.0	169.9	181.5	165.4	135.6	120.5	128.7
June 2	142.7	170.2	178.9	165.6	134.3	119.8	133.2
June 30	139.5	165.9	176.8	165.7	134.1	...	134.2
July 28	140.2	167.1	171.8	164.5	133.8	130.8	137.1
Aug. 25	137.9	164.4	165.3	164.2	133.0	133.3	137.1
Sept. 22	136.0	164.0	166.3	165.1	133.7	139.4	137.7
Oct. 20	131.6	156.2	152.3	165.4	129.5	138.8	141.6
Dec. 1	127.5	145.4	138.9	164.8	125.1	134.0	143.3
Dec. 29	127.8	147.4	135.3	164.2	120.5	135.8	143.8
1938							
Feb. 2	126.6	144.4	135.4	164.5	119.8	137.9	142.9
Mar. 2	125.1	143.1	138.7	164.5	120.3	138.1	142.5
Mar. 30	127.7	137.0	129.3	164.6	117.7	139.4	141.7
April 27	121.4	137.8	127.5	164.3	116.9	139.9	142.8
May 25	119.6	132.2	121.9	165.5	117.2	145.6	143.4
June 22	119.3	133.2	124.8	165.8	117.6	147.3	143.8
Aug. 3	119.2	138.0	127.1	167.2	117.4	144.6	142.4
Aug. 31	116.5	133.5	125.0	168.6	116.8	144.9	143.6
Sept. 28	116.2	134.8	127.0	173.0	116.6	146.0	144.2
Oct. 12	116.8	135.9	126.8	172.3	116.7	147.3	144.6
Oct. 26	116.1	134.9	127.0	171.6	116.6	147.8	145.1
Nov. 9	114.8	133.1	127.2	172.2	116.7	147.6	144.7
Nov. 23	114.3	132.6	126.0	175.7	116.7	148.7	143.8
Dec. 7	113.3	132.0	126.6	174.8	115.7	147.8	143.8
Dec. 21	113.7	132.4	126.5	175.7	115.6	148.7	144.0
1939							
Jan. 4	114.7	134.8	127.5	177.1	116.4*	150.5	—

* These figures relate to December 30th. † Monthly average.

Details of changes in the component series of the complete index are given below:—

The Economist INDEX

(1927 = 100)

	Sept. 18, 1931	Jan. 5, 1938	Dec. 21, 1938	Jan. 4, 1939
Cereals and meat...	64.5	93.1	67.7	69.6
Other foods	62.2	63.7	57.1	57.6
Textiles	43.7	58.8	52.7	53.4
Minerals	67.4	95.6	94.4	91.8
Miscellaneous	65.8	79.6	75.0	76.2
Complete index	60.4	77.8	68.6	69.2
1913 = 100	83.1	107.1	94.5	95.3
1924 = 100	52.2	67.3	59.4	59.9

Grain prices are again higher, and their low point was apparently touched over a month ago. Among other foods, tea and sugar are firmer. In the textiles group, there were advances in cotton, flax and jute. The fall in the minerals group index reflects the reduction in iron and steel prices. In the miscellaneous materials group there was a moderate advance in rubber and a sharp increase in linseed oil.

INDUSTRIAL REPORTS

THE pulse of industry is gradually quickening again, though the volume of new business was still comparatively small this week. The demand for coal has been slack in South Wales, but the cold weather has stimulated purchases in other districts. The iron and steel markets opened on a note of confidence, and the volume of transactions is expected to expand in the near future. The Government's decision to create a national reserve of machinery for the electricity supply industry at a cost of £3,000,000 should benefit the electrical equipment industry at a time when other orders are not coming in so well as previously. Business in cotton goods has been small, and spinners have found difficulty in selling the reduced output. The tone of the market, how-

ever, has been better as a result of the firmer trend of raw cotton prices. The wool textile trade is fairly active and the demand for warm clothing has increased owing to the onset of cold weather.

Coal

Sheffield.—There is a strong demand generally for coal, and both industrial and household requirements are heavy. Locomotive hards are still in full request, and heavy deliveries of smalls are being made to electricity works. Gas coal is active and firm.

While blast-furnace coke continues dull, all other qualities show an improved demand. Graded qualities for

central heating are quoted higher at 27s. per ton on rail at ovens.

There is very little new export business, but prices are steady. A moderate demand exists for large coals, but smaller grades are in abundant supply. Prices are unchanged.

*

Newcastle-on-Tyne.—The North-East coal market is steady with collieries comfortably stemmed for the next two or three weeks. The cold weather and transport difficulties on the Continent has brought more inquiry for Durham coking coal. Northumberland screened steam coals remain firm, but collieries still experience difficulty in disposing of their smalls. Durham prime gas coal is readily sold, but second classes as well

ELECTRICAL ENERGY for

Power, Heating and all Industrial Purposes

on the North - East Coast

NORTH-EASTERN ELECTRIC SUPPLY Co. Ltd.

Carlisle House, NEWCASTLE-UPON-TYNE

SITES FOR WORKS Apply to above address for particulars

as bunkers are fairly plentiful. There has been an improved inquiry for coke from the Scandinavian countries, but the home section shows little change.

★

Glasgow.—The coal market has opened on a strong note after the holiday. Just as before the stoppage, weather influences have been the dominant factor, for the renewed severity of conditions has increased demand perceptibly, and on a market bare of stocks the effect has been a definite firmness of prices. This tendency may become less marked as supplies come forward, for the miners have as usual made a slow resumption of work. Demand is mainly on home account, and reflected therefore chiefly in Lanarkshire and Ayrshire, but Fife and the Lothians appear also to have sufficient business to absorb outputs.

Shipments last week showed a marked improvement at 289,000 tons, reducing the deficit on the year to 1,428,000 tons.

★

Cardiff.—The New Year has not brought any improvement in the state of business on the Cardiff coal market. Output and supply quotas for the first quarter of the year are considerably lower than those for the corresponding period last year, but they are more than adequate to meet current demand. Cases are reported of the recovery of contracts which were lost last year to Germany, and although they do not represent a considerable volume of trade, hopes are entertained that they will be followed by others covering business of larger proportions. Shipowners are concluding contracts with depot owners covering the whole of 1939 and are endeavouring to obtain the advantage of a "fall" clause.

Prices are nominally unchanged, and supplies are plentiful except of dry grains and sized classes. Shipments in the foreign and coastwise trades last week totalled only 212,600 tons, compared with 267,739 tons in the corresponding week of 1937, and the provisional total shipments for 1938 from the ports of Cardiff, Newport, Swansea, and Port Talbot are 19,252,500 tons, compared with 21,034,347 tons in 1937. The Brazilian Railways have invited tenders for 350,000 tons for delivery over the first six months of the New Year.

Iron and Steel

Sheffield.—The iron and steel market has opened the year on a firm note; the volume of business this week, however, was limited, as holiday influences were still operating. Consumers of forge and foundry pig iron have for some time been buying from hand to mouth awaiting a decision on prices. They are now coming into the market, and some contracts have been arranged over the first half of the year. Hematites continue quiet, and the re-

duction in prices for finished iron has so far brought no increase in business.

The revised quotations for steel have brought out more inquiries, and the market is in a confident mood. Buying of billets, both basic and acid, is regarded as satisfactory, steel bars and wire rods are in fair request, while business in stainless steel sheets is substantial.

The iron and steel scrap market has not been active this week. Interest is mainly in materials the prices of which are not stabilised, but it will probably be a week or two before demand shows much increase.

★

Middlesbrough.—The market has opened with a confidence tone after the holidays, and, whilst extensive orders have not yet been placed, it is expected that during the next two or three weeks foundry owners and users who have been waiting for the reduced prices to come into operation will be covering their requirements.

Foreign iron is practically shut out by the Import Duty and the operation of the rebate to buyers who use only pig iron produced by British works. The price of No. 3 Cleveland foundry pig iron is 99s. per ton delivered locally, less 5s. per ton rebate. Makers of East Coast hematite are expecting increased requisitions for iron under existing contracts; whilst stocks in makers' yards are substantial, it is believed that actual requirements will exceed the present output. A shipment of 1,100 tons was made last week to South Wales, which is the first parcel to be shipped to that area for a period of two years. Export business is, however, quiet, although small parcels continue to change hands. No. 1 quality East Coast hematite is at 120s. 6d. per ton delivered in the North-East area, less 5s. per ton rebate. Basic iron is in increased supply owing to the additional furnaces in operation, but none of it is available for the market, as it is used in producers' own steelworks.

Semi-finished steel makers are experiencing a better demand, as re-rollers have almost cleared their stocks of the Continental material imported some time ago. Finished steel producers are looking forward to extensive orders for arches and sheets as a result of the Government's A.R.P. programme. Further rail orders are expected when the annual contracts are placed by the railway companies. In the meantime, increased orders for shipbuilding material would be welcome.

Good Durham blast-furnace coke is in good supply at 24s. 3d. per ton at the ovens, whilst imports of foreign ore continue on a reduced scale. Heavy steel scrap is moving rather more freely at the reduced price. The total shipments of pig iron and steel from the Tees in December amounted to 30,738 tons.

★

Glasgow.—Work will not be resumed at the steel plants until next week, but in some of the lighter

branches a restart has now been made. The year opens with order books fairly well filled. Boiler-makers, locomotive builders, engineering firms generally, tool makers and machinery makers in the West of Scotland have many months' work on hand and will consume considerable tonnages of steel. The demand for shipbuilding material is still unsatisfactory. Clyde shipbuilders who are engaged on mercantile vessels are somewhat anxious concerning the future, as the new work placed is not keeping pace with the tonnage launched. Work on Admiralty contracts is providing employment at a number of Clyde yards and orders on hand will ensure steady work for many months at least. Sheet makers anticipate a busy spell and have a considerable tonnage booked for January delivery. The market for high-grade sheets continues to expand and sheet makers in Glasgow and district are supplying large quantities for the motor car trade, steel furniture manufacture, stove making, etc. Tube makers have sufficient work on hand to give steady employment for some time at their Lanarkshire plants.

★

Cardiff.—The reduced tinplate prices for the inland and export trades have not yet had any appreciable effect on demand, and the current rate of production is appreciably lower than the average weekly output during 1938. Work has not yet been resumed at some of the mills which were closed down for the Christmas holidays. There is a better inquiry for steel sheets for the home market, but the recent improvement in the market for galvanised sheets has not been maintained.

Textiles

Cotton (Manchester).—Business has been affected by the New Year holidays, negotiations between buyers and sellers being impeded by mail and cable delays. The tone of the market, however, has been rather firmer, in sympathy with the firmer tendency of raw cotton prices. Much uncertainty still exists concerning crop control in the United States next season. Still more material is going into the Government loan, and the consumption of American cotton continues to decline compared with a year ago.

In the yarn market buying has been of a hand-to-mouth character and most spinners have found difficulty in selling and clearing the reduced output. Further progress is being made with regard to the comprehensive price-fixing schemes for all American yarns, and Egyptian mule spinners have cancelled the 5 per cent. rebate on prices.

There have been few serious attempts at business of importance in piece-goods for abroad. Miscellaneous sales have been arranged for several outlets, but buyers and sellers have experienced difficulty in bridging differences between prices and offers. Necessary buying has occurred in home trade fabrics.

★

Wool (Bradford).—Another chapter opens in the wool textile industry with the reopening of the sales in Australia, and interest now largely centres on overseas markets. All cabled reports state that there is a continued healthy demand for the raw material,

with prices ruling at the level at which they closed before the Christmas recess. One of the most satisfactory features is that practically all trades are liberal buyers, although Japan in particular could purchase on a much larger scale than is the case.

Turning to manufacturing centres, most mills are running, but there is still plenty of room for improvement, while all sections complain very bitterly at the pronounced absence of profits, everything being cut to the very minimum. There are serious complaints at the business methods which are being adopted by the large multiple tailors; they seem to be in a position to dictate prices. The general public, however, is benefiting from the low level of prices. One of the most pleasing features is the briskness of the hosiery section, the present cold spell having led to very big sales of underwear fabrics, the like of which have not obtained for a long time. All this is contributing an important quota towards the running of machinery, not only in the West Riding, but also in the making-up factories.

THE COMMODITY MARKETS

A FORTNIGHT ago we indicated that the outlook for prices was more favourable than for some time. This view has since been confirmed by the course of prices of the principal primary products, both in this country and in the United States. Moody's index of the prices of staple commodities in the United States (December 31, 1931 = 100) rose from 141.3 to 143.6 during the fortnight ended last Wednesday. As *The Economist* index of the prices of primary products, given on page 39, shows, the upward movement was not confined to the United States. During the past few days the rise in the prices of a number of commodities in London has been accentuated by the renewed depreciation of the pound in terms of dollars.

The rise in prices was fairly general, including wheat, raw sugar, cotton, flax, jute, rubber, linseed oil, copper and tin. Moreover, as many consumers frequently replenish their stocks early in the year, the rise in prices may go further.

Metals

Copper.—In spite of the holiday season and the wish of most consumers to keep their cash resources liquid over the end of the year, the price of copper was fairly firm this week and standard cash closed on Wednesday at £44 6s. 3d. per ton, a net gain of 5s. The demand was fairly quiet, but at the same time sellers were very reserved in anticipation of better prices in the immediate future. Stocks of copper in official warehouses of the L.M.E. were given on December 31st at 29,605 tons, a decline of nearly 2,000 tons on the year. This level is at least 10,000 tons below normal and as there will be hardly an increase but quite possibly a further reduction in the near future, the technical position of the market is very strong.

Tin.—The tin market was very firm this week and the standard cash price closed on Wednesday £1 12s. 6d. higher at £217 per ton. This level equals the highest price for nearly 15 months. The December tin statistics published this week showed almost no change in stocks. At 29,377 tons the total visible supply was only six tons up on the month, according to A. Strauss and Company, Limited. New supplies at 6,439 tons showed the expected decline of 616 tons on the month, but simultaneously deliveries fell to the record low level of 5,778 tons, thus showing the remarkably sharp drop of 1,650 tons on November. The low level of deliveries, however, had a reassuring rather than a depressing influence on the price level, as it convinced the market that consumers' stocks must have fallen considerably in December and thus make substantial purchases more likely in the near future. In fact a considerable demand was encountered this week, mainly from the United States.

★

Lead and Spelter.—The price of lead closed on Wednesday 1s. 3d. down at £14 16s. 3d. per ton, while the price of spelter lost 3s. 9d. to close at £13 15s. per ton. There have been no new features in these markets and oversupply was again in evidence. It was reported from Brussels that negotiations for a closer co-operation amongst the Belgian customs smelters of zinc have been started. A successful outcome of these discussions would provide a suitable step towards a comprehensive international scheme, so that the Belgian discussions are of considerable interest.

★

Nickel.—Nickel remained steady this week, although some observers had expected a change in the price at the beginning of the year. According to Mr Robert C. Stanley, President of the International Nickel Company of Canada, the world's consumption of nickel amounted to 168 million lbs. in the first ten months of 1938. This figure represents a decline of 16 per cent. on the record figure of the preceding year and constituted the first interruption of the steep upward movement in progress since 1933. The decline was chiefly due to the low rate of consumption in the United States in the first half of 1938 and was smaller than the simultaneous decline in the consumption of most other metals. Consequently, it appears that the setback has not changed the strong basic position of nickel compared with that of the other base metals.

Grains

MARKETS have been firm during the past week, and both wheat and maize prices are higher than a week ago. In spite of the import duty recently imposed, there have again been inquiries from India for Australian wheat, while there has been a revival of interest in the United Kingdom and Belgium for American hard winter wheat. Prices in North America are also slowly improv-

ing; the prospects for the winter wheat are poor, as there has been a deficiency of moisture in the wheat belt and sharp variations in temperature in recent weeks. The premium of Plate maize continues and consequently more interest has been shown in supplies from America. Though the volume of business has not been large, barley prices are firmly held.

Other Foods

Provisions.—With smaller supplies of bacon, prices were advanced shortly after Christmas. Egg prices have also been improved by the reduction in home supplies, the consequence of the sudden onset of cold weather shortly before Christmas. There has been a steady trade in chilled meat, but the demand for home killed meat has been slow, except for veal. Dominion butter prices also improved in the past week.

★

Colonial Produce.—The market for raw sugar has been firm, although business has been limited by the holidays. At the resumption of the tea auctions, there was a good demand for Indian teas, but prices for Ceylon were irregular. Since the holidays, the market in cocoa has been steady, with some improvement in the price of Accra.

★

Fruit and Vegetables.—Immediately after Christmas, trade was quiet but improved over the week-end. Early in the week there was a shortage in London of green vegetables and English apples, but supplies have since become more normal and prices have again declined.

Miscellaneous Commodities

Oils and Oilseeds.—The volume of business in these markets has not been large, but prices are firm. The exportable surplus of linseed from the Argentine is now placed at about 1½ million tons for the new crop. There have recently been heavy shipments from the Plate both for Europe and the United States. Prices of cottonseed are steadier, but the export demand for cottonseed oil has been disappointing and prices have tended to fall. The demand for oilcakes has improved during the last few weeks of cold weather.

★

Rubber.—The Christmas and New Year holidays have limited the amount of business transacted, but prices have been maintained; compared with a week ago, the buyers' price of standard sheet shows an improvement of ½d. per lb. for positions up to April. Stocks outside the producing countries were estimated to total 487,322 tons at the end of November, a fall of 31,522 tons during the month and one of 36,346 tons compared with the close of 1937. Reports from the American automobile industry continue encouraging.

COMMODITY PRICES AND STATISTICS

Beginning with this issue the tables of Wholesale Prices and Commodity Statistics have been transferred to the "Current Statistics" section. The tables will be found this week on pages 55 & 56.

COMPANY MEETINGS

BANK OF MONTREAL

TRADE CONDITIONS IN CANADA

SIR CHARLES GORDON'S REVIEW

The 121st annual general meeting of the shareholders of the Bank of Montreal was held on December 5th last in Montreal.

Sir Charles Gordon, G.B.E. (president of the bank), who presided, in the course of his address said: By and large I think it can be said, having in view the conditions which have prevailed in other countries, that business throughout the Dominion during the past year has not been unsatisfactory. Most of our industries have maintained a fair rate of production, and although there has been recession in some lines this has been offset largely in other directions, with the marked activity of mining contributing in increasingly important measure to the welfare of many subsidiary enterprises from coast to coast.

Among the more immediate factors destined to have a stimulating effect upon certain of our manufacturing industries is the prospect of this country contributing to the armament requirements of Great Britain. I may say that early last spring when I was in London there seemed to be a desire in official quarters to place orders for munitions and airplanes in Canada, and I had a number of interviews with important people in this regard. Later, Sir Hardman Lever came here with a mission to look into the possibility. I think the result of these conversations and investigations will be satisfactory, as already contracts have been negotiated, and we may hope that additional business will follow.

MINING

In the stressful times through which we have been passing it may well be said that mining has been the sheet-anchor of our economic life. Here is an industry which over a period of years has measurably offset contraction in other lines of activity by increasing its production and extending its frontiers. Canada is now a recognised source of world supply for many of the base metals. During the present year a new record has been set up in gold mining by the production for the first time of more than 400,000 fine ounces of gold in one month, and as the year closes we see total production of gold on the basis of \$180 millions annually.

Despite the further progress which has been made in consolidating the position of mining and of its corollary, metallurgy, I think the most outstanding step which has been made in the development of our national resources has been in the results attained in the Alberta oilfields. Oil production there has now reached such a stage that it has commanded not only national but international attention, with the result that problems as to the best methods of transportation to distant markets are already being discussed.

These are matters that await determination as to the regular volume of production which can reasonably be counted upon, although the growth of production to date has been such as to indicate that possibly it may bring Canada to a place second only to Trinidad in the British Empire as a source of oil. Meanwhile, proration of production has been put into effect pending the development of markets and of facilities for refining and distribution. What already is assured is production of such a volume as will prove of marked benefit to the economic life of the whole prairie country, and a major asset in developing the great mining regions which lie north of the grain growing areas.

TRADE AGREEMENTS

An important factor bearing on the economic situation comes from the tripartite trade treaties just signed by the representatives of the United Kingdom, the United States and Canada. These treaties will affect in more or less degree every industrial and commercial enterprise in this country. The situation has been a peculiar one for Canada, inasmuch as it has provided the most dramatic demonstration yet given of Canada's position as the natural liaison between Great Britain and the United States.

Without Canada's co-operation the agreement making for closer commercial co-operation between the two largest English-speaking nations, so important at this juncture in world affairs, would not have been possible. Canada has given that co-operation, not without sacrifices and not without some misgivings as to what these sacrifices may portend.

THE ROYAL VISIT

We are promised in the coming year an honour unique in our history—namely, an official visit from the reigning sovereign and

his gracious consort. I am one of many who look upon this coming of the King and Queen to our Dominion—coupled with the further news of the appointment of H.R.H. the Duke of Kent to the Governor-Generalship of Australia—as the symbol of a new vision of Empire: a vision in which are seen the genius and the capital resources of the Empire concentrated as never before upon the upbuilding of the Empire itself and the upbuilding of the welfare of its own peoples.

If that belief is true, then it may well be that Canada will begin in full measure to fulfil the destiny marked out for her by her territorial domain, by her geographical position, by her great pioneering achievements, and, above all, by the quality of her racial stocks and racial traditions.

THE GENERAL MANAGERS' ADDRESS

Mr G. W. Spinney, as joint general manager, read the address of the joint general managers, in part, as follows:—

Important changes in the balance sheet figures are as follows: Our total assets amount to \$874,300,000, compared with \$829,600,000 a year ago. Quick assets, including securities, total \$620,300,000, representing 77.80 per cent. of all liabilities to the public. Deposits by the public amount to \$725,800,000, an increase of \$44,800,000. The increase in our Canadian deposits has been \$39,100,000.

Current loans and discounts in Canada amount to \$178,700,000, an increase of \$27,800,000 over last year, and \$47,900,000 over two years ago. There has been a substantial increase in the number of commercial borrowers who are using our facilities and to an extent we have obtained more profitable employment of money than could be found in short-term, high-grade securities.

This is a highly satisfactory development.

INVESTMENTS AND INTEREST RATES

Coming now to the largest item of our assets, investments, not exceeding market value at \$440,900,000, show an increase of \$3,200,000. There are included in this total Dominion and Provincial Government obligations amounting to \$362,200,000, of which \$172,600,000 mature within two years.

The very size of the Federal debt, direct and indirect, amounting to \$4,401,000,000, and the cost of servicing it, are reasons for assuming that monetary ease will be maintained in so far as it is feasible. Such a statement would be applicable also to the United States and Great Britain.

As a safeguard to the shrinkage in values which would ensue should a marked stiffening in interest rates occur, we have consistently adhered to the policy of restricting investments to securities within the short-term orbit. While this has narrowed our earning capacity, any other investment policy would be fraught with risk which we would not care to face.

At the present time 45.92 per cent. of our entire portfolio of securities will mature within two years, while 95.18 per cent. of our total holdings will fall due before the end of 1944.

BUSINESS OUTLOOK

Business as a whole in Canada during the year under review can be said to have fared very well, especially when viewed in the light of conditions prevailing in the rest of the world. Because of geographical and trade relations, our economic welfare must be under the special influence of conditions in the United States, and it is therefore reassuring to observe an upturn in business in that country. It is difficult, of course, to determine the extent to which their apparent betterment evolves from Government spending, but general sentiment has improved, and this is a prerequisite to industrial recovery.

Any marked improvement in our building trades, which have been lagging, will produce widespread benefit, and it is gratifying that the Ottawa Government, with the co-operation of the banks and various lending agencies in the country, has opened the way to building construction and improvement at low interest and amortisation cost, thus providing a marked impetus to the trade on a thoroughly sound basis.

In the complicated conditions which now beset us any general forecast would be risky, but, given peace in our time and prudent management of our affairs, there is every reason why Canada should face the future with confidence.

BURMA CORPORATION LIMITED

EFFECT OF FALL IN METAL PRICES

ORE RESERVE POSITION

MR P. E. MARMION'S REVIEW

The annual general meeting of the Burma Corporation, Limited, was held on the 20th ultimo, in Rangoon.

Mr P. E. Marmion (vice-chairman and joint managing director), in the course of his speech, said: Many of you may remember that I ended my address in December last year upon a note of caution since, in spite of the excellence of the results I was then reviewing, I could but remind you of the fall in metal prices that had already been in progress for several months, and which must have its inevitable reaction upon our earnings. Such indeed has been the course of events, and our report clearly shows both the extent and the direction of the decline, together with the influence of these movements upon our profits. These at Rs. 87,59,404 are sadly diminished relatively to the record set up last year, but, even so, they permitted the declaration of dividends aggregating 10 annas per share, a return of some 7 per cent., tax free, upon our capital.

IMPROVEMENT IN METAL PRICES

Happily since the close of our financial year there has been a welcome reversal in the trend of metal prices, which took them to a considerably higher level than they were in the month of June. The prices set out in the quarterly report for the period ended September 30th reflect the improvement, which was more than maintained to the end of November, since when there has been some recession.

The contribution of lead to our total revenue again rose from 54 to 58½ per cent. and silver also increased from 18½ to 21½ per cent., so that their combined contribution reached the high total of 80 per cent.

The total of operating expenditure is almost the same as last year. Freight, shipping and realisation charges have again increased, and amount to more than 60 per cent. of the total cost of production at Namtu. For the current period I am hopeful that the total of these charges and the relation it bears to our costs of production will revert to more normal proportions.

The Chairman then dealt with the tonnage and grade of the ore mined, emphasising the importance of the policy of grade reduction pursued since 1933, and passed on to review the production figures for the year as set out in the report. He then traced the movements of metal prices during the year, commenting upon the improvement which had taken place since the close of the financial year and which had been maintained until the end of November.

Turning to silver, the second most important of the Corporation's products, the Chairman stressed the complete dependence of the metal upon the United States buying policy as laid down by the Silver Purchase Act of 1934.

In commenting upon the importance of the improvements in production economy which were continuously in progress, the Chairman drew attention to the major influence in profits of metal prices, the cost of stores ancillary to production, and of ocean freight, over all of which no direct control could be exercised. He went on to emphasise that the most conspicuous feature in the accounts was the decline in revenue of £746,411, due to the fall in metal prices.

DEVELOPMENT WORK

The Chairman continued: Development work added 249,891 tons of ore to the reserves, of which 227,895 tons came from lateral exploration in the upper levels of the Chinaman Section and 21,996 from the current work on No. 11 level, and further work in the upper levels of the Meingtha Lode. Payable ore in the Meingtha extended just down to the horizon of No. 11 level, as in the Chinaman and Shan sections, but its length was much reduced. With the exception of a small area in the upper levels the development of the Meingtha lode is now complete.

Further investigation was initiated towards the end of the year at the south end of the Shan lode on No. 6 level to ascertain if there were any isolated blocks of ore that had been carried to the west by the main mass by the movement caused by the Yunnan Fault, and which would have been missed in the original plan of development. I am glad to state that our suspicions were well founded and that some disconnected blocks of ore have been located between the several fault planes which represent the direction of the movements

of the Yunnan Fault over a considerable period of time when it thrust the major portion of the original massive Bawdwin deposit some 700 ft. to the west. Although the individual blocks of ore in themselves do not represent a large tonnage, yet, in the aggregate, they will provide a useful addition to the reserve, and we shall no doubt locate similar faulted blocks on other levels as work proceeds.

SIGNIFICANCE OF RECENT DISCOVERIES

This discovery definitely establishes the geological sequence of the lateral fault movements by which the original homogeneous mass of ore, representing the Bawdwin deposit, was dislocated and separated into its three component parts, the Shan, Chinaman and Meingtha ore bodies. The location of the original massive deposit on the main north and south Bawdwin Fault shear was on the strike of the present Shan Lode. Earth movements subsequently caused the major portion of the mass represented by the present Chinaman and Meingtha Lodes to be moved, by what we call the Yunnan Fault, some 700 ft. to the south-west to the plane of the present Chinaman ore body. Later earth movements again dislocated this faulted major portion and thrust that part of it now known as the Meingtha Lode some 1,100 ft. to the south-east.

The original homogeneous ore body was thus finally broken into the three distinct but complementary lodes which we have to-day. Had it been possible to interpret the sequence, direction and extent of these tremendous earth movements at the beginning of operations at Bawdwin, the work of development would have been greatly simplified and cheapened, but the knowledge, even at this late date in the Corporation's history, is at least a source of satisfaction, inasmuch as it confirms that our diagnosis of the geological structure of the deposit has been correct and reassures us that the whole of the original mass of ore in its present widely faulted and separated portions will ultimately be fully explored and no portion left undiscovered.

ORE RESERVES

On the last two occasions on which I have addressed you I dealt at length with the ore reserve position. I explained the reasons why we felt confident that the ultimate tonnage of ore extracted would exceed very considerably the original estimate. Many of you will no doubt already have noticed that the familiar table in the general manager's report, setting out the estimated tonnages and values of the ore reserve, this year incorporated a new feature—the assessment of the excess tonnage that has already been extracted from those sections of the mine in which stoping has been completed. A start has thus been made in taking into account a definite tonnage of this ore and, from the further evidence accumulated during the year at the mine, I see no reason to modify the guess I made last December that the ultimate recovery of excess ore might reach a total of 750,000 to 1,000,000 tons, except perhaps that I might venture to state that indications favour the larger rather than the smaller figure.

So far only 124,021 tons of this large potential tonnage have actually been absorbed into our reserve calculations, so there remains the expectancy of a very large balance to supplement the normal accretions from current development work in future years. After allowing for 472,802 tons extracted during the year, the estimated total of our ore reserves at June 30th was 3,764,658 tons, just 100,000 tons less than 12 months previously.

TREND OF METAL MARKETS

In my review of metal markets last December I drew your attention to the short-lived spectacular rise in prices during the first quarter of 1937 and to the violent reaction that followed in the second quarter, causing our financial year ended June 30, 1937, to close with a trend pointing decidedly downwards.

This downward trend persisted throughout the second half of 1937 and continued without relief during the first half of 1938. Happily, in the month of June there were signs that the headlong decline had at last been arrested, and prices for the opening quarter of our current financial year show a welcome tendency to improve.

Notwithstanding this persistent decline in metal prices since the first quarter of 1937 and the recession in general business activity, particularly in the second half of 1937, it is remarkable that the demand for non-ferrous metals, outside the United States, remained at an exceptionally high level, with the result that the apparent world consumption for that year—again excluding the United States—reached higher levels than ever before; 1938, however, opened with the demand for metals somewhat subdued, particularly in the United States, but with the tide of armaments rising rapidly in all countries, with hostilities in Spain and China showing no signs of abatement, and with prospects of a sustained industrial revival in the United

States, the call for supplies of copper, lead and spelter again reached high levels and halted the rising tendency of stocks in the hands of producers.

CONSUMPTION IN THE UNITED STATES

Recovery in the United States lags so far behind the rest of the world that statistical surveys of world conditions are apt to be misleading unless they are divided into two groups. This applies with particular emphasis to a survey of world statistics of non-ferrous metals for 1937. These show, for example, that the world consumption of copper reached the record total of 2,163,000 tons, which is 116 per cent. of the highest total attained previously in 1929. The world total of 2,163,000 tons was, however, made up of 1,379,000 tons consumed by the rest of the world and 784,000 tons consumed in the United States, showing that, whilst the rest of the world consumed 161 per cent. of its 1929 total, the United States consumed only 78 per cent. of its 1929 figure. Similarly, consumption of lead in the United States for 1937 was only 76 per cent. of its 1929 figure and for spelter it was 102 per cent.

In the present state of political tension and uncertainty, I am sure you will not expect me to make any prophecy on the outlook for international trade in general and for non-ferrous metals in particular. The necessity for rigid monetary control in so many countries automatically encourages the policy of self-sufficiency, with its concomitant barriers and impediments to the flow of trade. These restrictions are, unfortunately, tending to increase, while the intensification of re-armament, already on a prodigious scale, must continue to retard the development of pacific industry, particularly as the financial stress increases.

The manufacture of all the implements of war has become an industry of the first magnitude in almost every country and calls for a major share in the available supply of metals, and in these circumstances it seems that we may anticipate the maintenance, or indeed some extension, of the present activity of demand.

LEAD

Demand for lead throughout 1937 continued to expand in almost every country, and the world total was greater than ever before. In the United States consumption increased by almost 60,000 tons beyond the figure for the previous year and exceeded production by 75,000 tons. Even with this substantial improvement, consumption was only 76 per cent. of its 1929 peak.

Consumption in the rest of the world expanded by more than 100,000 tons and established a new high record at 115 per cent. of the 1929 peak. Europe consumed 1,000,000 tons for the first time, and Japan exceeded her previous record by a substantial margin, while Germany, for the first time, exceeded her 1929 peak.

At the end of October stocks in the hands of the principal producers were 43,368 tons greater than in 1937, when they were particularly low. About half of these stocks comprised metal still on refinery floors far removed from the world's consuming markets.

SOUND STATISTICAL POSITION

The statistical position of the metal continues sound, having undergone little change, and the principal producers outside the United States are co-operating to keep production reasonably in accord with consumption.

World production of lead for 1937 was 1,684,227 tons, or 214,265 tons more than for the previous year. World production of lead for 1938 is estimated at 1,635,000 tons, or about 50,000 tons less than for 1937. The tendency for consumption to decline appears to have been halted in June, since when it has been somewhat in advance of production, with benefit to the stock position.

World production of spelter for 1937 was 1,634,228 tons, thus exceeding the record established in the previous year by no less than 170,000 tons. World consumption of spelter for 1937 was 1,600,000 tons, almost 100,000 tons more than for the previous year and constituting a new record. The estimated production of spelter for 1938 is 1,530,000 tons, or about 100,000 tons less than for the previous year.

World production of copper for 1937 reached the remarkable total of 2,237,000 tons, nearly 590,000 tons in excess of the previous year and 345,000 tons greater than in 1929. World consumption at 2,163,000 tons advanced by 300,000 tons.

World production of silver for 1937 reached the record total of over 273,000,000 ounces, or 20,000,000 ounces greater than for the previous year. World production of silver continues more or less at the level of the previous year, with Mexico showing signs of greater activity.

The report and accounts were unanimously adopted.

BUTLIN'S LIMITED

ALL-ROUND PROGRESS

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

Colonel Sir Thomas A. Polson, K.B.E., C.M.G., T.D. (the chairman), said that the gross profits of the business amounted this year to £121,795, as against £70,259 for the preceding year, an increase of over £50,000. The net profit amounted to £88,393 and, after deducting the preference dividend and making provision for taxation, the balance available, including the amount brought forward, was £53,607, which compared with £31,011 for 1937 and showed an increase of over 65 per cent.

The Skegness holiday camp went from strength to strength, the trading profit being approximately 50 per cent. greater than last year, very largely due to the fact that the accommodation at that camp was greatly increased, as, in fact, the actual profit per head was slightly lower. Their important new camp at Clacton had had a most successful season and a satisfactory profit was earned.

Their amusement park at the Empire Exhibition, Glasgow, had been one of the most successful features of that Exhibition. The directors had been approached with regard to the extensive International Exhibition to take place this coming summer at Liège, Belgium, and there was very little doubt that the company would have the sole concession for the amusement park.

Owing to the great demand for accommodation at the Clacton Camp—on which, up to October 2, 1938, the company had expended approximately £170,000—the full scheme of development was now proceeding as expeditiously as possible, and they would therefore be able to accommodate a greatly increased number of guests at Clacton during the coming season.

They had entered into a contract to purchase a freehold property of approximately 200 acres near Scarborough. The expansion to which he had referred would necessitate the obtaining of further capital, and in that connection negotiations had now reached an advanced stage and he anticipated that they would be able to announce full details in the course of the next week or two.

The directors were confident that the year 1939 would be an excellent year for the company and that they would meet shareholders again next year with eminently satisfactory results.

The report was unanimously adopted and a dividend of 20 per cent. on the ordinary shares approved.

BRITISH VACUUM CLEANER AND ENGINEERING COMPANY, LIMITED

CONTINUED SUCCESS OF "GOBLIN" PRODUCTS

The 35th ordinary general meeting of The British Vacuum Cleaner and Engineering Company, Limited, was held, on the 30th ultimo, in London.

Mr H. Cecil Booth, F.C.G.I., M.Inst.C.E., the chairman, said that the directors were glad to report that the turnover of the company during the year had again been substantially increased and the profits had been well maintained and stood at a new high level of £77,513. Having regard to the difficult conditions of trade, and bearing in mind the dislocation which was involved by the removal of the works and administrative offices from London to Leatherhead, the expenses of which had been charged in the accounts before arriving at the profits, the shareholders would agree with him in congratulating themselves on the year's trading. Their new works were well equipped and provided facilities for a considerably increased volume of production, with ample area for expansion whilst providing ideal conditions of employment.

The company's products marketed under the trade name "Goblin" had achieved increased public acceptance and "Goblin Cleaners" held a dominating position in the market. Whilst by far the greater proportion of their business was centred round the manufacture and sale of domestic-type vacuum cleaners, it would be of interest to them to know that during the year they had carried out a considerable number of important central cleaning installations. The company were developing new lines of manufacture and substantial progress was being made.

The directors recommended a final dividend of 30 per cent., making 40 per cent. for the year. In order to provide further working capital required to meet the continued expansion of the business, the directors had decided to issue a further 200,000 ordinary shares of 5s. each at the price of 20s. per share.

The chairman then read a copy of the circular letter to the ordinary shareholders announcing the terms on which shareholders would be entitled to subscribe for the new shares.

The report and accounts were unanimously adopted.

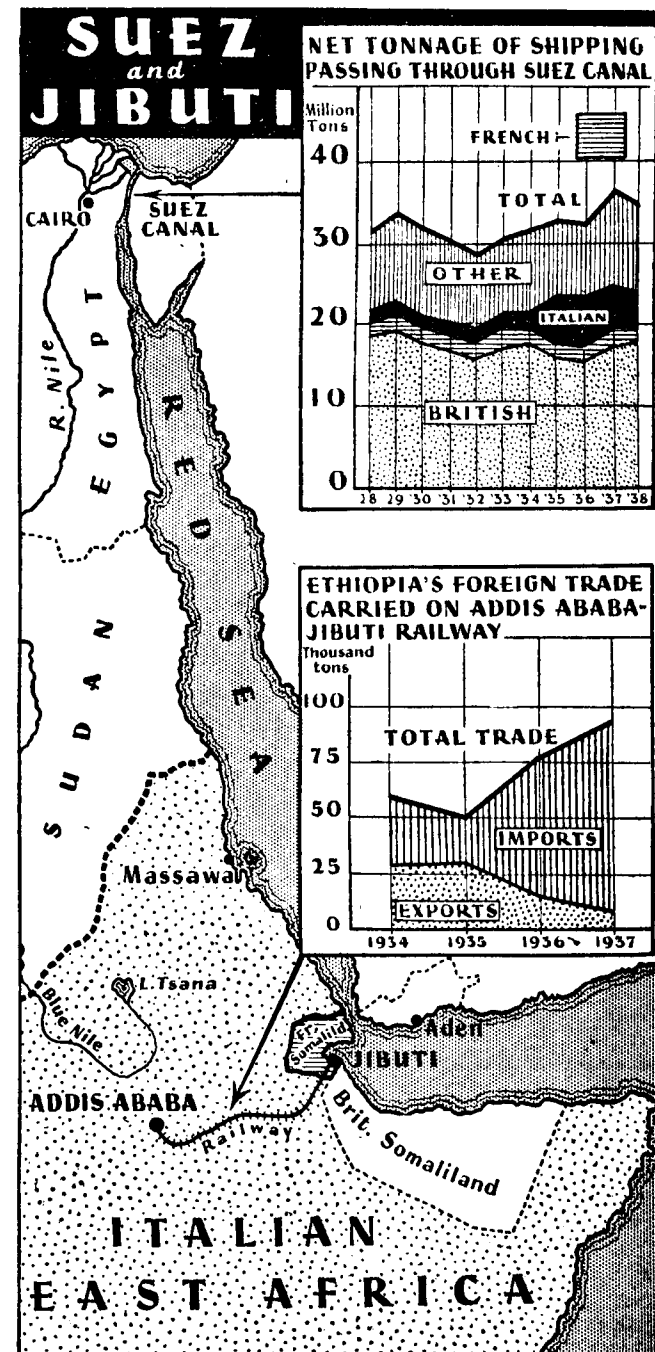
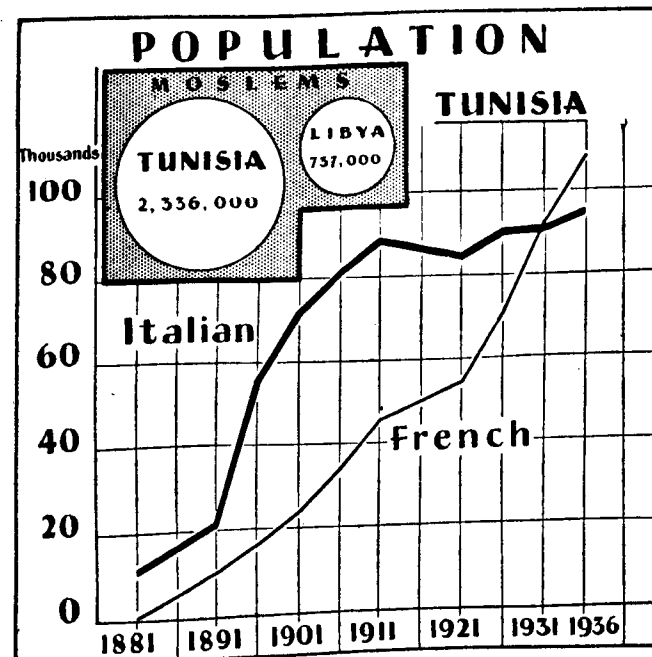
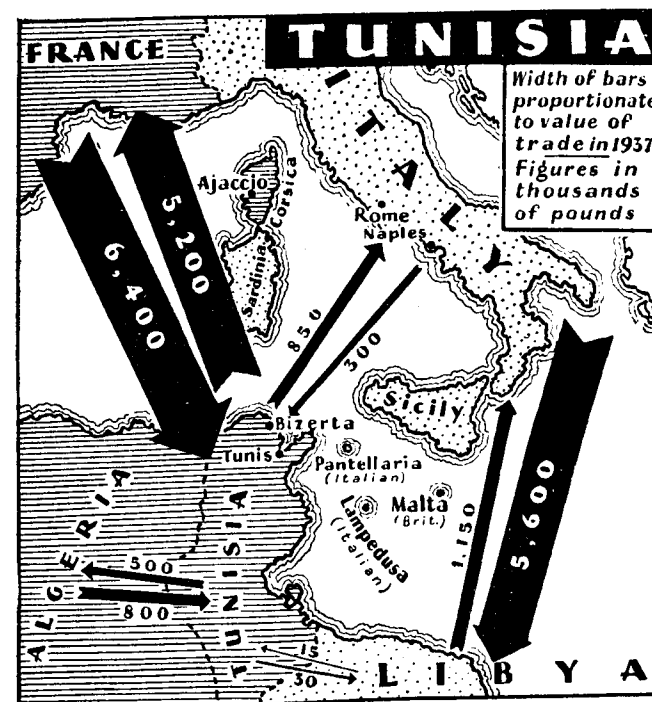
CURRENT STATISTICS

CONTENTS

	Page		Page
<i>Italy's "Aspirations"</i>	45	INVESTMENT	
FINANCE		Transport Receipts	51
Government Returns	46	National Debt	51
Bank of England Returns	46	London Active Securities and Yields	52
Government Revenue and Expenditure	47	The Week's Company Results	54
Overseas Bank Returns	48	Dividend Announcements	54
Bank Clearings	49	Oil Outputs	54
Money Rates	49	INDUSTRY AND TRADE	
Exchange Rates	49	Commodity Statistics	55
		British Wholesale Prices	56

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

Italy's "Aspirations"



The estimates of Libyan and Tunisian trade are approximate only. The 1938 figures of shipping passing through the Suez Canal are estimates based on returns for nine months.

Finance

GOVERNMENT RETURNS

For the week ended December 31, 1938, total ordinary revenue was £7,976,000, against ordinary expenditure of £14,925,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £249,447,000, against a deficit of £172,603,000 a year ago. The detailed Return for the quarter and nine months ended December 31, 1938, is printed in full on page 47.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Dec. 31, 1937	April 1, 1938, to Dec. 31, 1938	6 days ended Dec. 31, 1938	Week ended Dec. 31, 1938
ORDINARY REVENUE					
Income Tax	341,150	90,035	99,724	3,824	4,020
Sur-tax	62,000	10,780	12,570	740	660
Estate, etc., Duties	88,000	68,200	56,780	1,030	1,120
Stamps	24,000	16,240	15,330	430	240
N.D.C.	20,000	59	13,270	19	260
Other In. Rev. Duties	1,250	530	780	40	...
Total I. Rev.	536,400	185,844	198,454	6,083	6,300
Customs and Excise	227,950	167,965	169,629	2,685	2,475
Motor Vehicle Duties	36,000	11,607	11,569	247	208
P.O. (Net Receipt)	8,670	9,350	7,390	Dr. 810	Dr. 740
P.O. Fund	2,400	25	...	...	...
Crown Lands Rec. from Sun. Loans	1,330	1,030	1,020	...	60
Misc. Rec.	5,250	4,286	4,792	...	...
Total Ordinary Revenue	944,650	478,612	490,436	8,800	7,976
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	55,500	58,660	2,310	2,940
Total...	1,025,092	534,112	549,096	11,110	10,916

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Dec. 31, 1937	April 1, 1938, to Dec. 31, 1938	6 days ended Dec. 31, 1938	Week ended Dec. 31, 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt. Payments to N. Ireland	230,000	183,317	184,559	1,506	1,535
Other Cons. Fund Serv.	8,900	5,260	5,697	...	...
Total...	244,139	190,767	192,212	1,650	1,593
Supply Serv.	702,409	460,448	547,670	12,203	13,332
Total Ord. Expend.	946,548	651,215	739,882	13,853	14,925
SELF-BAL. EXPEND.					
P.O. and Broadcasting*	80,442	55,500	58,660	2,310	2,940
Total...	1,026,990	706,715	798,542	16,163	17,865

* 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 Finance Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After raising Exchequer balances by £233,811 to £3,027,793, the other operations for the week (as shown below), but excluding £3,750,000 issued under the Defence Loans Act and £255,000 issued to Sinking Funds, raised the gross National Debt by £11,188,000 to about £8,417 millions. A comparative analysis of the estimated gross National Debt as at December 31, 1938, appears on page 51.

WEEK'S CHANGES IN DEBT

NET INCREASES IN DEBT (£ thousands)		NET REPAYMENTS, ETC. (£ thousands)	
Bk. of Eng. Adv.	5,250	Treasury Bills	2,683
Pub. Dept. Adv.	3,730	Nat. Sav. Bonds	29
Nat. Sav. Certs.	100	N. Atl. Shipping	30
P.O. and Teleg.	...	...	...
(Money) Acts	4,850	...	...
	13,930		2,742

AGGREGATE ISSUES AND RECEIPTS

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

(£ thousands)		(£ thousands)	
Ordinary Exp.	739,882	Ordinary Rev.	490,436
Eire issues	3,758	Eire receipts	10,000
Defence Loan	17,000	Gross borr.	267,849
Issues	17,000	Less Sinking Fds.	6,981
Inc. in balances	664	Net borrowing	260,868
	761,304		761,304

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank Eng.		
1937						
Dec. 31, 1937	839.7*	39.4	55.7	984.9	...	...
Sept. 10, 1938	545.0	324.2	46.0	915.1	370.2	382.7
" 17	537.0	334.5	48.2	919.7	382.7	395.3
" 24	526.0	345.5	49.8	921.3	395.3	428.4
" 30	883.4*	49.2	...	932.6	...	...
Oct. 8	521.0	379.1	49.3	953.4	428.4	429.0
" 15	526.0	383.6	45.8	954.4	429.0	429.7
" 22	526.0	379.3	41.4	946.7	429.7	430.1
" 29	522.0	386.1	44.0	952.1	430.1	451.4
Nov. 5	517.0	405.3	46.1	971.3	451.4	452.6
" 12	517.0	407.2	45.4	969.7	452.6	445.4
" 19	522.0	403.7	41.7	967.4	445.4	449.0
" 26	522.0	404.1	45.4	971.5	449.0	512.0
Dec. 3	517.0	445.4	49.5	1,011.9	512.0	512.0
" 10	517.0	465.3	46.7	1,029.0	512.0	525.7
" 17	500.0	465.3	51.5	1,025.7	525.7	537.4
" 24	493.0	495.3	42.1	1,030.4	537.4	543.4
" 31	488.0	497.6	45.8	1,030.7	543.4	...

* 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 (£ millions)			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Dec. 30, 1937	50.0	80.5	50.0	s. d.	47
Sept. 9, 1938	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	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
" 18	35.0	62.6	35.0	14 11.37	38
" 25	35.0	69.6	35.0	17 7.80	32
Dec. 2	35.0	74.8	35.0	17 11.03	18
" 9	35.0	68.8	35.0	19 2.10	52
" 16	30.0	70.6	30.0	20 0.79	27
" 23	35.0	62.9	35.0	22 0.45	44
" 30	35.0	74.1	31.0	13 8.88	37

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 30th applications at £99 16s. 7d. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday and Friday of the following week were accepted as to about 37 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications at £99 16s. 8d. per cent. for bills to be paid for on Monday and Saturday were accepted in full. £25.0 millions of Treasury bills are being offered on January 6th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
50 weeks to:—		
Dec. 18, 1937	30,743,934	23,057,951
Dec. 17, 1938	30,902,083	23,176,563
Week to:—		
Dec. 18, 1937	565,289	423,967
Dec. 10, 1938	571,059	428,294
Dec. 17, 1938	606,825	455,119

BANK OF ENGLAND RETURNS

JANUARY 4, 1939

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In Circuln.	488,071,153	Other Govt.	11,015,100
In Bnkg. Department	68,344,675	Securities	218,629,727
		Other Secs.	69,519
		Silver Coin	285,654
		Am't of Fid.	230,000,000
		Gold Coin & Bullion	326,415,828
		Total	556,415,828

BANKING DEPARTMENT

Props. capital: £		Govt. Secs.: £	
Rest	14,553,000	Other Secs.	71,381,164
Public Depts.*	3,443,784	Discs., etc.	48,905,835
Other Depts.	20,503,163	Securities	22,980,163
Bankers	135,955,180		
Other	37,241,491		
	173,196,671	Notes	71,285,998
		Gold & Silver Coin	684,781
		Total	211,696,618

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments	Amt. Jan. 4, 1939	Last Week	
		Last	Last
COMBINED LIABILITIES	488,071	16,656	4,505
Note circulation	20,503	4,556	6,062
Deposits: Public	135,955	34,928	6,721
Bankers	37,242	487	145
Others	681,771	23,325	8,132
Total outside liabilities	17,997	30	36
Capital and rest	301,026	2,144	27,009
COMBINED ASSETS	48,906	20,367	33,818
Govt. debt and securities	22,450	945	1,021
Discounts and advances	286	Nil	...
Other securities	327,100	101	9
Silver coin in issue dept.	69,030	16,554	14,496
Gold coin and bullion	35.6%	1.5%	5.5%
RESERVES	48.0%	1.7%	0.6%
Res. of notes & coin in banking department...			
Proportion of reserve to outside liabilities—			
(a) Banks, dept. only ("proportion")			
(b) Gold stocks to deposits and notes ("reserve ratio")			

COMPARATIVE ANALYSIS

(£ millions)		1938		1939	
		Jan. 5	Dec. 14	Dec. 21	Dec. 28
		Jan. 4*			
Issue Dept.	492.6	495.3	503.0	504.7	488.1
Notes in circ.	53.8	61.1	53.4	51.7	68.3
Govt. debt	219.7	229.4	229.6	229.7	229.6
Securities	0.3	0.4	0.1	0.0	0.1
Other sec.	326.4	326.4	326.4	326.4	326.4
Gold	14.4	15.7	12.5	15.9	20.5
Public	129.2	99.5	98.3	101.0	136.0
Bankers	37.4	36.0	37.3	36.8	37.2
Others	181.0	151.2	148.1	153.7	193.7
Total	108.3	68.4	72.1	69.2	71.4
Bk. Dept. Secs.	15.1	16.8	14.9	28.5	48.9
Discounts, etc.	21.1	21.7	24.8	21.5	22.4
Other	144.5	106.9	111.8	119.2	142.7
Total	54.5	62.2	54.3	52.5	69.0
Banking dept. reserve	30.1	41.1	37.7	34.1	35.6
"Proportion"	48.6	50.7	50.3	49.7	48.0
Reserve ratio†					

† 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, £285,654; capital, £14,553,000; rest, £3,443,784.

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 October 1 to December 31, 1938 compared with the corresponding Quarter of the preceding Year				Period from April 1, 1938, to December 31, 1938, compared with the corresponding Period of the preceding Year			
		Quarter ending Dec. 31, 1937	Quarter ending Dec. 31, 1938	Increase	Decrease	Period ending Dec. 31, 1937	Period ending Dec. 31, 1938	Increase	Decrease
Ordinary Revenue	£	£	£	£	£	£	£	£	£
Inland Revenue—									
Income Tax	341,150,000*	35,702,000	44,360,000	8,658,000	—	90,035,000	99,724,000	9,689,000	—
Sur-tax	62,000,000	4,070,000	4,170,000	100,000	—	10,780,000	12,570,000	1,790,000	—
Estate, etc., Duties	88,000,000	21,180,000	19,160,000	—	2,020,000	68,200,000	56,780,000	—	11,420,000
Stamps	24,000,000	6,140,000	5,560,000	—	580,000	16,240,000	15,330,000	—	910,000
National Defence Contribution	20,000,000	59,000	6,450,000	6,391,000	—	59,000	13,270,000	13,211,000	—
Other Inland Revenue Duties	1,250,000	380,000	190,000	—	190,000	53,000	780,000	250,000	—
Total Inland Revenue	536,400,000*	67,531,000	79,890,000	15,149,000	2,790,000	185,844,000	198,454,000	24,940,000	12,330,000
Customs and Excise—									
Customs	227,950,000	56,902,000	57,982,000	1,080,000	—	167,965,000	169,629,000	1,664,000	—
Excise	116,150,000	33,303,000	32,600,000	—	700,000	88,400,000	88,200,000	—	200,000
Total Customs and Excise	344,100,000	90,202,000	90,582,000	1,080,000	700,000	256,365,000	257,829,000	1,664,000	200,000
Motor Vehicle Duties	36,000,000	2,998,000	3,065,000	67,000	—	11,607,000	11,569,000	—	38,000
Post Office (Net Receipt)	8,670,000	3,690,000	3,450,000	—	240,000	9,350,000	7,390,000	—	1,960,000
Post Office Fund	2,400,000	24,659	—	—	24,659	—	—	—	24,659
Crown Lands	1,330,000	390,000	390,000	—	—	1,030,000	1,020,000	—	10,000
Miscellaneous Receipts	10,500,000	4,033,170	5,978,795	1,945,625	—	10,105,061	9,382,179	—	722,882
Total Ordinary Revenue	944,650,000*	169,750,613	184,221,708	18,241,625	3,770,530	478,612,358	490,435,566	27,108,749	15,285,541
Self-Balancing Revenue				£14,711,095	Net Increase			£11,823,208	Net Increase
Post Office (Revenue required to meet expenditure on Post Office and Broadcasting)	80,442,000	19,610,000	20,850,000	1,240,000	—	55,500,000	58,660,000	3,160,000	—
Total	1,025,092,000	189,360,613	205,071,708	19,481,625	3,770,530	534,112,358	549,095,566	30,268,749	15,285,541
				£15,711,095	Net Increase			£14,983,208	Net Increase

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; Denmark, of December 17th; Danzig, Egypt, Iran and Roumania, of December 24th; Bulgaria, Estonia, Greece, Jugoslavia, Latvia, Lithuania, Norway, Poland, Portugal and Switzerland, of December 31st.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
12 U.S.F.R. BANKS	Jan. 6, 1938	Dec. 29, 1938	Dec. 29, 1938	Jan. 5, 1939
RESOURCES				
Gold on hand and due from Treas.	9,120	11,662	11,788	11,838
Total reserves	9,120	12,017	12,123	12,212
Total cash reserves	363	346	325	365
Total bills discounted	11	6	7	4
Total bills in open mkt.	12	7	8	5
Industrial advances	18	15	16	16
Total U.S. Govt. secs.	2,564	2,564	2,564	2,564
Total bills and secs.	2,594	2,586	2,587	2,594
Total resources	12,833	15,342	15,511	15,654
LIABILITIES				
F.R. notes in circ.	4,258	4,422	4,470	4,441
Aggregate of excess mkt. bank res. over reqs.	1,270	3,440	3,070	3,300
Deposits — Member bank reserve account	7,071	8,966	8,577	8,819
Govt. deposits	127	407	941	891
Total deposits	7,602	9,950	10,023	10,146
Cap. paid in and surplus	308	309	310	311
Total liabilities	12,833	15,342	15,511	15,654
Reserve to depts. and F.R. notes	80.0%	83.6%	83.6%	83.7%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock	12,755	14,367	14,508	14,565
Treasury and Nat. Bk. currency	2,639	2,775	2,790	2,800
LIABILITIES				
Money in circulation	6,510	6,844	6,912	6,839
Treasury cash and deposits with F.R. Bks.	3,749	3,088	3,648	3,616

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

	Jan. 6, 1938	Dec. 29, 1938	Dec. 29, 1938	Jan. 5, 1939
Total gold reserves	3,682	6,509	6,518	6,540
Total bills discounted	3-1	1-6	1-7	1-1
Bills in open mkt.	0-2	0-2	0-2	0-2
Total U.S. Govt. secs.	739-5	815-4	815-4	724-6
Total bills and securities	747-3	820-8	821-2	729-8
Deposits — Member bank reserve account	312-6	5,450-0	4,404-5	4,599-3
Govt. deposits	84-8	87-6	87-5	89-4
Reserve to depts. and F.R. notes	84-8	87-6	87-5	89-4

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

	Dec. 15, 1938	Nov. 16, 1938	Dec. 7, 1938	Dec. 14, 1938
ASSETS				
Loans, total	12,168	13,011	12,990	13,008
Investments	3,781	3,832	3,640	3,612
Reserve banks	5,365	5,148	7,395	7,445
Due from domestic bks.	1,869	2,722	2,487	2,522
LIABILITIES				
Deposits: demand	14,675	15,720	16,114	16,221
Time	5,192	5,137	5,127	5,130
U.S. Government	684	534	533	538
Inter-bank	5,489	6,839	6,790	6,850

BANK OF FRANCE.—Million francs

	Dec. 30, 1937	Dec. 1, 1938	Dec. 22, 1938	Dec. 29, 1938
ASSETS				
Gold*	58,933	87,265	87,265	87,265
Bills: Commercial	10,737	13,083	11,167	11,590
Bought abroad	870	850	781	781
Advances on securities	3,781	3,832	3,640	3,612
Thirty-day advances	675	1,722	448	443
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	31,900	20,627	20,627	20,627
Negotiable bonds	5,580	5,570	5,530	5,530
Sinking Fund Dept.	4,099	4,893	4,130	4,460
Other assets	93,837	109,467	108,532	110,935
LIABILITIES				
Notes in circulation	3,461	5,762	5,910	5,061
Deposits: Public	19,219	29,681	26,163	25,397
Private	3,266	2,932	2,983	2,916
Other liabilities	50-5	60-2	62-0	61-6

NATIONAL BANK OF BELGIUM

Million belgas				
	Dec. 29, 1937	Dec. 1, 1938	Dec. 21, 1938	Dec. 29, 1938
ASSETS				
Gold	3,525	3,492	3,425	3,428
Silver and other coin	52	53	58	55
Foreign exchange, etc.	949	910	920	922
Bills and securities	611	617	591	594
Advances	32	56	38	41
LIABILITIES				
Notes in circulation	4,308	4,474	4,381	4,398
Deposits: Govt.	96	148	118	114
Other	680	420	447	440

REICHSBANK

Million Reichsmarks				
	Dec. 31, 1937	Nov. 30, 1938	Dec. 22, 1938	Dec. 31, 1938
ASSETS				
Gold	70-6	70-8	70-8	70-8
Of which deposited abroad	20-3	10-6	10-6	10-6
Res. in foreign currencies	5-7	6-0	5-9	5-5
Bills and cheques	613-1	7513-6	7358-7	8244-0
Silver and other coin	110-9	135-8	155-2	116-5
Advances	60-3	47-9	45-9	44-9
Investments	392-2	846-1	854-5	854-5
Other assets	749-7	1358-3	1355-0	1504-7
LIABILITIES				
Notes in circulation	5492-9	7743-8	7666-5	8222-6
Other daily maturing obligations	1058-5	1141-4	1062-0	1527-5
Other liabilities	326-5	428-7	453-1	426-2
Cover of note circulatn.	1-39%	0-99%	1-00%	0-93%

CENTRAL BANK OF ARGENTINA

Million paper pesos				
	Dec. 1937	Nov. 1938	Nov. 1938	Dec. 1938
ASSETS				
Gold at home	1,353	1,224	1,224	1,224
Other gold & for exch.	119	119	119	119
Non-int. Govt. bonds	398	397	397	397
Treasury bonds	398	397	397	397
LIABILITIES				
Notes	1,122	1,050	1,059	1,083
Deposits: Government	136	116	125	118
Other	367	369	363	314
Certs. of participation in Treasury bonds	312	355	317	317
Gold and for exch. to note and sight liab.	87-5%	86-1%	85-1%	85-6%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

	Jan. 5, 1938	Dec. 29, 1938	Dec. 29, 1938	Jan. 2, 1939
ASSETS				
Gold and English stg.	16-00	16-01	16-01	16-03
Other coin, bullion, &c.	5-32	5-04	4-98	5-08
Call money, London	27-22	20-37	24-77	21-68
Secrts. and Treas. bills	92-77	96-41	100-94	99-31
Discounts and advances	12-16	15-10	14-82	15-66
LIABILITIES				
Notes issued	54-03	48-53	51-53	53-03
Res. pm. on gold sold	7-75	7-75	7-75	7-75
Deposits, etc.	88-68	90-72	92-73	86-27

BANK OF CANADA

Million \$'s				
	Dec. 29, 1937	Nov. 30, 1938	Dec. 21, 1938	Dec. 28, 1938
ASSETS				
Reserve of which	1937	1938	1938	1938
Gold coin and bullion	202-0	226-2	223-1	216-3
Securities	179-8	181-0	182-4	184-2
LIABILITIES				
Note circulation	166-8	170-7	176-9	177-3
Deposits: Dom. Govt.	12-8	30-0	28-2	20-2
Chartered banks	196-4	215-2	199-4	203-7
Reserves to notes and deposit liabilities	53-3%	54-1%	54-9%	53-7%

NATIONAL BANK OF CZECHO-SLOVAKIA.—Million Cz. kr.

	Dec. 23, 1937	Nov. 15, 1938	Dec. 15, 1938	Dec. 23, 1938
ASSETS				
Gold	2,614	2,357	2,358	2,358
Gold ag. gold liab.	...	336	336	336
Balances abroad and foreign currencies	475	796	1,288	1,267
Discounts and advances	2,343	3,669	3,192	2,331
LIABILITIES				
Bank notes in circulatn.	6,265	6,669	6,634	6,628
Deposits	524	827	611	659

BANK OF FINLAND

Million F. marks				
	Dec. 23, 1937	Nov. 15, 1938	Dec. 15, 1938	Dec. 23, 1938
ASSETS				
Gold reserve	602-7	620-4	620-4	620-4
Gold abroad not in res.	32-0	...	...	...
Foreign correspondents	2053-7	2096-8	2096-5	2086-9
Foreign bills, etc.	63-4	103-5	91-3	92-4
Int. bills and home loans	1059-2	1204-7	1225-1	1211-7
Finnish & foreign bonds	500-5	455-6	459-9	455-4
LIABILITIES				
Notes in circulation	2080-4	1951-1	2078-5	2087-1
Sight deposits: Govt.	111-7	185-4	26-3	220-5
Other	956-3	1183-0	1154-6	952-3
Cover to sight liab.	79-5%	78-2%	79-4%	79-4%

NATIONAL BANK OF HUNGARY

Million pengö				
	Dec. 23, 1937	Nov. 15, 1938	Dec. 15, 1938	Dec. 23, 1938
ASSETS				
Metal reserve	84-0	94-1	94-1	94-1
Gold coin and bullion	57-4	100-9	116-3	116-4
Int. bills, wts., & secs.	408-1	432-8	442-3	460-3
Advances to Treasury:				
Long term	115-3	191-6	191-3	191-3
Czech-Kr. exch.	74-1	77-2	76-9	76-9
LIABILITIES				
Notes in circulation	402-1	740-7	767-4	776-6
Current accounts, and sight liab.	268-2	209-6	202-8	222-0
Cash certificates	69-7	66-0	66-0	66-0

RESERVE BANK OF INDIA

Million rupees				
	Dec. 31, 1937	Dec. 23, 1938	Dec. 23, 1938	Dec. 30, 1938
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	626	712	701	702
Balances abroad	36	13	5	13
Sterling securities	803	608	595	595
Indian Govt. rupee securities	274	324	323	323
Investments	62	59	55	56
LIABILITIES				
Notes in circ.: India	1,806	1,740	1,774	1,803
Burma	48	68	74	77
Deposits: Govt.	98	113	105	113
Banks	202	127	114	122
Gold and sterling to liabilities	58-1%	50-4%	50-4%	50-3%

BANK OF JAPAN.—Million yen

	Dec. 31, 1937	Nov. 15, 1938	Dec. 15, 1938	Dec. 30, 1938
ASSETS				
Coin & bullion:				
Gold	801-0	501-3	501-3	501-3
Other	49-8	49-0	50-4	49-2
Spec. fd. for for. exch.	...	300-0	300-0	300-0
Discounts and advances	564-3	542-0	496-2	466-9
Government bonds	908-6	1438-4	1562-0	1495-2
Agencies' accounts	82-6	126-8	127-5	146-3
LIABILITIES				
Notes issued	1744-7	1927-6	2177-9	2105-4
Deposits: Government	347-7	682-1	475-7	403-3
Other	58-7	93-3	160-0	201-8

BANK OF JAVA.—Million florins

	Jan. 1, 1938	Dec. 24, 1938	Dec. 31, 1938	Dec. 31, 1938
ASSETS				
Gold and silver	134-39	137-54	138-82	138-63
Other advances, &c.	84-04	76-16	73-98	76-92
Foreign bills	3-86	8-57	9-09	10-87
Other assets	66-63	58-13	60-06	58-38
LIABILITIES				
Notes in circulation	187-24	187-04	184-34	187-50
Deposits and bills	87-12	79-58	83-76	83-39

NETHERLANDS BANK

Million florins				
	Jan. 3, 1938	Dec. 19, 1938	Dec. 27, 1938	Jan. 2, 1939
ASSETS				
Gold	1375-8	1461-2	1461-2	1488-3
Silver	16-8	28-8	27-3	...
Home bills, etc.	2-8	8-8	8-9	8-4
Foreign bills	5-1	3-6	3-6	3-6
Loans and advances in current account	210-8	307-6	308-5	309-2
LIABILITIES				
Notes in circulation	906-8	978-4	991-5	1020-4
Deposits: (a) Govt.	137-5	152-8	136-5	...
(b) Other	584-8	700-4	701-8	809-7

RESERVE BANK OF NEW ZEALAND

EXCHANGE RATES—cont.

NEW YORK

New York on	Dec. 29, 1938	Dec. 30, 1938	Dec. 31, 1938	Jan. 2, 1939	Jan. 3, 1939	Jan. 4, 1939
London:—	Cents	Cents	Cents		Cents	Cents
60 days	464 1/16	463 1/16	463 1/8		461 1/16	462 1/16
Cables	465 1/16	464 1/16	464		462 1/16	463 1/16
Denmark	465 1/16	464 1/16	463 7/8		463 7/8	463 7/8
Paris, Fr.	2 63 1/16	2 63	2 62 3/16		2 62 1/16	2 62 1/16
Brussels, Bel.	16 86	16 85	16 85		16 87	16 86 1/2
Switzerland, Fr.	22 58	22 57	22 55		22 60	22 59
Italy, Lira	5 26 1/4	5 26 1/4	5 26 1/4		5 26 1/4	5 26 1/4
Berlin, Mark	40 09 1/2	40 10	40 14		40 11	40 12
Amsterdam, Guilder	54 37 1/2	54 39	54 40 1/2		54 38	54 36
Copenhagen, Kr.	20 80	20 74	20 71		20 65	20 69
Oslo, Kr.	23 41	23 35	23 32		23 26	23 29
Stockholm, Kr.	24 00	23 93	23 90		23 86	23 87
Athens, Dr.	0 85 5/8	0 85 5/8	0 85 1/4		0 85 1/8	0 85
Montreal, Can. \$	98 98 5/8	99 03 0	99 03 0		99 15 0	99 09 0
Yokohama, Yen	27 18	27 13	27 07		27 00	27 05
Shanghai, \$	16 60	16 45	16 55		16 50	16 50
B. Aires, Peso	28 89	28 83	28 79		28 69	28 76
Rio, Milreis	5 95	5 95	5 95		5 95	5 95

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:—	£ 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 1/2	124 1/2	125	125
Sight	(†) 126 1/8	(†) 125 1/8	125 1/16	124 1/16	124 1/16	124 1/16	124 1/16
30 days	126 1/8	126 1/8	...	124 1/2	124 1/2	123 1/16	124 1/16
60 days	127 1/8	127 1/8	...	124 1/2	124 1/2	123 1/8	124 1/16
90 days	127 7/8	127 7/8	...	124 1/2	123 7/8	123 1/8	124 1/16

* All rates (Australia and New Zealand) now based on £100—London.
† Intermediate rates will be calculated on the basis of 2s. 6d. for every seven days.

Houlder Line, Ltd.—Credit balance for 1938, £173,000 (against £159,650), after transfer to Insurance Fund £5,000 and preference dividend. To depreciation, £100,000 (£90,000). Ordinary dividend maintained at 7 1/2 per cent., absorbing £29,906. Carry-forward raised from £38,712 to £43,094. Out of realised surplus on sale of vessels (£21,607), a special bonus distribution is recommended of 2 1/2 per cent. tax free, absorbing £13,750 and leaving a balance in the fund of £7,857.

De Havilland Aircraft Company.—Profit for year to September 30, 1938, £152,812, an increase of £30,628. A dividend of 10 per cent. and cash bonus of 2 1/2 per cent. are again recommended, but on £800,000 against £600,000.

Rio Claro Investment Trust.—Net revenue year to November 30, 1938, £94,052,

compared with £106,248. Ordinary dividend 6 1/2 per cent. for year, against 7 per cent., plus a special anniversary bonus of 1 per cent. Carry-forward raised from £77,893 to £90,507.

Stock Exchange Rules.—On January 3, 1939, the Committee for General Purposes confirmed rules concerning bargains with non-members. Rules 88a, and 88 (formerly 90) require that such bargains must be justified to the Committee if called upon, must be marked on a special form, and must be undertaken only if to the principal's greater advantage. Other rules, Nos. 200a and 204, were confirmed, and rules 96 and 16 were amended.

Province of Alberta.—At a recent meeting of the Province of Alberta Bond and Stock Holders Protective Committee, it was resolved that the decision be reaffirmed to

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended January 5, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
British W. Africa	289,883	£	Canada	3,010	£
S. Africa	48,635	£	Netherlands	239	3,524
S. Rhodesia	69,550	£	France	1,717	1,717
Soviet Union	1,214,678	£	Algeria	...	39,300
France	1,016	30,712	Switzerland	19,728	7,541
Switzerland	38,006	82,183	Iraq	...	3,533
Brazil	359,213	£	United States	3,838,084	...
Total*	1,123,175	117,515	Total*	3,862,413	55,615
SILVER					
British W. Africa	2,950	£	Norway	2,540	£
Burma	2,943	£	Germany	1,716	14,520
Australia	25,623	£	France	12,750	£
Germany	3,955	£	Switzerland	14,450	£
Belgium	42,121	199	Hungary	40,425	£
France	111,579	1,344	Arabia-Saudi	687,336	£
Japan	180,542	£	United States	...	...
Total*	406,547	6,261	Total*	763,470	22,512

* Including other countries.

CENTRAL AND SOUTH AMERICA

THE BANK OF LONDON AND SOUTH AMERICA, LTD., issues the following details relative to quotations for certain of the South and Central American exchanges. All these exchanges, with the exception of 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 December 20, 1938.

Colombia.* Sight selling rate on New York was 175.50 pesos per 100 U.S. dollars on December 12, 1938. This rate applies to holders of permits buying in the "open" market.

Ecuador. Sight selling rate on New York was 14.45 sucres per U.S. dollar on December 9, 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 5.52 1/2 cordobas per U.S. dollar (including 10 per cent. tax and 1/2 per cent. commission) on December 13, 1938.

Paraguay. Exchange is quoted on Buenos Aires; the sight selling rate was 72.50 Paraguayan pesos per Argentine "free" paper peso on December 7, 1938.

El Salvador. Sight selling rate on New York was 2.50 1/4 colones per U.S. dollar on December 14, 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	612 6	Montreal	Mar. 11, '35	2 1/2
Amsterdam	Dec. 2, '36	212 2	Oslo	Jan. 5, '38	4 3/4
Athens	Jan. 4, '37	7 6	Paris	Jan. 3, '39	2 1/2
Batavia	Jan. 14, '37	4 3	Prague	Jan. 1, '36	3 1/2
Belgrade	Feb. 1, '35	612 5	Pretoria	May 15, '33	4 3/4
Berlin	Sept. 22, '32	5 4	Tallinn	Oct. 1, '35	4 1/2
Brussels	Oct. 27, '38	3 2 1/2	Riga	Jan. 1, '39	5 1/2
Bucharest	May 5, '38	412 3 1/2	Rio de Janeiro	May 31, '35	5 1/2
Budapest	Aug. 28, '35	412 4	Rome	May 18, '36	5 1/2
Calcutta	Nov. 28, '35	312 3	Sofia	Aug. 15, '35	7 6
Copenhagen	Nov. 19, '36	312 4	Stockholm	Dec. 1, '33	3 2 1/2
Danzig	Jan. 2, '37	5 4	Swiss Bank	...	...
Helsingfors	Dec. 3, '34	412 4	Tokio	Nov. 25, '36	2 1 1/2
Kovno	July 1, '37	512 5	Warsaw	Mar. 11, '38	3 285 3/4
Lisbon	May 11, '36	5 4 1/2	Wellington	Nov. 22, '38	2 4
New York Fed.	...	...	Irish	June 30, '32	3 3
Madrid	July 15, '35	112 1			

Central Bank of Chile.—Discount rate for member banks, 4 1/2%; discount rate for the public, 6%. (a) 4 1/2% applied to banks and credit institutions. (b) 5% applied to private persons and firms.

recommend holders to refuse acceptance of one-half the stipulated interest rates, and to refuse signing any forms giving effect to such arrangement.

Lloyds Bank.—Mr G. F. Abell, on retiring as chief general manager of the bank, and Sir Leonard Lyle, president of Tate and Lyle, have been elected to the board.

British Overseas Bank.—Mr Arthur C. D. Gairdner has resigned, and Mr J. A. Drexel has been appointed chairman.

Chartered Bank of India, Australia and China.—Sir William Foot Mitchell, who has been a director since 1910, has resigned.

Transvaal Working Profits.—November, 1938: Witwatersrand, £2,818,723; outside districts, £10,055; total, £2,828,778. Total working profits, October, 1938: £2,787,402.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Jan. 1 (£'000)						Aggregate Gross Receipts 52 weeks (£'000)					
	Passenger	Merchandise	Coal	Gas	Electricity	Total	Passenger	Merchandise	Coal	Gas	Electricity	Total
L.M. & S.—	416	359	228	587	1,003	26,934	25,854	13,609	39,463	66,397		
1937	409	241	217	458	867	26,940	23,060	13,194	36,254	63,194		
1938	409	241	217	458	867	26,940	23,060	13,194	36,254	63,194		
L. & N.E. (a)—	294	290	260	550	844	17,595	17,914	13,107	31,021	48,616		
1937	309	222	235	457	766	17,491	16,284	12,391	28,675	46,166		
1938	309	222	235	457	766	17,491	16,284	12,391	28,675	46,166		
Great Western—	183	147	91	238	411	11,464	10,414	5,899	16,313	27,777		
1937	173	102	79	181	354	11,399	9,559	5,575	15,134	26,533		
1938	173	102	79	181	354	11,399	9,559	5,575	15,134	26,533		
Southern—	264	48	37	85	349	16,878	3,293	1,629	4,922	21,800		
1937	277	46	33	79	356	16,901	3,139	1,601	4,740	21,641		
1938	277	46	33	79	356	16,901	3,139	1,601	4,740	21,641		
Total—	1,157	844	616	1,460	2,617	72,871	57,475	34,244	91,719	164,390		
1937	1,168	611	564	1,175	2,343	72,731	52,042	32,761	84,803	157,534		
1938	1,168	611	564	1,175	2,343	72,731	52,042	32,761	84,803	157,534		

(a) Week ended Dec. 31.

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	- 2,423	- 1,812	- 926	- 54
Weekly Figures				
Av. weekly decrease, 2nd half 1938	- 93.19	- 69.69	- 35.61	- 2.07
Latest week compared with 1937	- 136	- 78	- 67	7
Latest week compared with average 1927-30	- 109	- 105	- 42	- 16

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended Dec. 30 (£'000)			Aggregate Gross Receipts 52 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.8	0.3	2.1	129.6	25.2	154.8
1938	1.9	0.3	2.2	125.3	22.7	148.0
Great Northern—						
1937	10.1	6.9	17.0	574.0	492.6	1,066.6
1938	12.7	5.7	18.4	570.8	484.3	1,055.1
Great Southern—						
1937	31.5	32.9	64.4	1,887.0	2,253.2	4,150.2
1938	41.4	23.0	64.4	1,909.2	2,189.9	4,099.1

NATIONAL DEBT

(See "GOVERNMENT FINANCE" on page 46.)

(Million £)

	Aug. 1, 1914	Dec. 31, 1919	Mar. 31, 1927	Sept. 30, 1937	Dec. 31, 1937	Mar. 31, 1938	June 30, 1938	Sept. 30, 1938	Dec. 31, 1938
2½% Consols & annuities	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	363	363	363	363	363
5% Conversion Loan	...	...	323	323	323	323	323	323	323
Terminable Annuities	30	20	12	12	13	13	13	13	13
Debts to Banks	15	15	14	14	14	14	14	14	14
3½% War Stock, 1932	...	...	6,911	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
2¾% Funding Loan	...	...	101	101	101	101	101	101	101
3% Funding Loan	...	...	148	148	144	144	144	144	144
4% Funding Loan	...	409	353	353	353	349	349	349	349
2½% N. Defence Bonds	...	...	...	100	100	100	100	100	100
2½% N. Defence Loan	...	...	...	...	...	...	...	...	...
4% Victory Bondst	...	360	199	199	199	197	197	197	197
Treasury Bondst	20	323	100	100	100	100	100	100	100
National Savings Certs.**	...	267	394	391	390	389	388	388	385
External Debt†	...	1,357	1,032	1,032	1,032	1,032	1,032	1,032	1,032
Treasury Bills	15	1,107	675	899	889	829	851	889	937
Temporary Advances	...	1	243	23	8	95	13	84	49
Other Cap. Liabilities	...	654	8,033	7,797	8,103	8,179	8,026	8,132	8,193
	57	46	113	110	110	110	123	121	129
Total Liabilities	711	8,079	7,910	8,213	8,289	8,149	8,253	8,314	8,417

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest securities allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes any profit or loss on redemption; where stocks are redeemable at or before a certain date the final date of 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.

Prices, Year 1937		Prices, Year 1938		Name of Security	Price, Jan. 4, 1939	Change since Dec. 28, 1938	Yield Jan. 4, 1939	Prices, Year 1938		Last Dividends	Name of Security	Price, Jan. 4, 1939	Change since Dec. 28, 1938	Yield Jan. 4, 1939	
High-est	Low-est	High-est	Low-est					High-est	Low-est						(a) %
British Funds															
841 1/8	73 1/8	79 1/4	64	Consols 2 1/2%	70	...	£ s. d.	55 1/2	20 1/2	6 c	Nil c	Brit. Overseas A £5	30 1/2	+10 1/2	£ s. d.
113	105 1/4	111 1/4	98	Do. 4% (alt. 1957)	102 1/2	-1 1/4	3 11 5	13 1/8	9 1/8	3 1/4	3 1/4	Chd. of India £5	12 1/2	...	6 1 8
101 1/2	94 1/2	100 1/2	90	Do. 3 1/2% 1944-49	95 1/4	-1 1/4	2 17 0	13 1/8	9 1/8	3 1/4	3 1/4	Com. Bk. of Aust. 10 1/2	12 1/2	...	4 2 0
103 1/8	97 1/8	103 1/4	92	Do. 3% 1948-53	98 1/2	...	3 3 0	53 1/2	50 1/2	5 b	5 b	District B. £1 fy. pd.	52 1/2	...	3 16 3
106 1/2	99 1/2	104 1/2	90 1/2	Do. 3 1/2% after 1961	98 1/2	+1 1/4	3 11 6	90 1/2	71 1/2	3 1/2 a	3 1/2 a	En. S. & Aust. £5 1/2 p.	75 1/2	+2 1/2	5 12 0
108	105	105 1/2	100	Do. 4 1/2% 1940-44	102 1/2	-1 1/4	4 3 0	108 1/2	94 1/2	10 b	8 a	Hambros £10, £2 1/2 p.	88 1/2	...	4 10 0
117 1/2	111 1/4	115 1/2	102	Do. 5% 1944-64	109 1/2	-1 1/4	4 3 6	106 1/2	94 1/2	4 3 b	£2 1/2 a	Hong. and S. £12 1/2	88 1/2	+1 1/2	6 2 10
92 1/2	89 1/2	97 1/2	81	Fund. 2 1/2% 1956-61	86 1/2	-1 1/4	3 6 6	64 1/2	49 1/2	6 b	6 b	Lloyds £5, £1 p.	58 1/2	...	4 1 0
96 1/2	89 1/2	97 1/2	81	Fund. 2 1/2% 1952-57	86 1/2	-1 1/4	3 6 6	64 1/2	49 1/2	6 b	6 b	Marine £20, £2 1/2 p.	71 1/2	+1 1/4	4 5 0
101 1/2	92 1/2	99 1/2	90	Fund. 3% 1959-69	94 1/2	...	3 6 0	89 1/2	72 1/2	7 1/2	8 b	Midland £1, fy. pd.	85 1/2	+1 1/2	3 15 0
116 1/2	109	114 1/2	98	Fund. 4 1/2% 1960-90	107 1/2	...	3 9 0	61 1/2	51 1/2	5 1/2	5 b	Nat. Dis. £2 1/2 fy. pd.	53 1/2	...	4 6 8
99 1/2	96	101 1/4	90	Nat. D. 2 1/2% 1944-48	97 1/2	-1 1/4	2 14 0	41	29	11 b	4 a	Nat. of Egypt £10	30 1/2	...	4 14 9
114 1/2	107 1/2	112 1/2	100	Do. 3% 1954-58	95 1/2	-1 1/2	3 6 0	41 1/2	29	8 a	8 a	N. of Ind. £25, £12 1/2 p.	33 1/2	...	3 14 9
105 1/2	99 1/2	103 1/2	90 1/2	Victory Bonds 4%	107 1/2	...	3 15 0	41 1/2	29	8 a	8 a	N. Prov. £5, £1 p.	45 1/2	+3 1/2	4 6 6
96 1/2	84 1/2	90 1/2	78	War L. 3 1/2% af. 1952	81 1/2	...	3 12 0	48 1/2	32 1/2	9 1/2 a	9 1/2 a	Roy. Bk. of Scotland	33 1/2	...	3 14 9
102	99 1/2	102	90 1/2	Austria 3% 1933-53	99 1/2	+1 1/2	3 1 8	51 1/2	36 1/2	10 1/2	5 1/2 a	St. of S.A. £20, £5 pd.	15 1/2	...	5 0 0
72	62	68 1/2	55	India 2 1/2%	63 1/2	...	3 18 9	99 1/2	77 1/2	11 b	9 a	Union Dis. £1	43 1/2	+1 1/2	4 11 5
85 1/4	74 1/4	82 1/4	68	Do. 3 1/2%	75 1/4	...	3 19 2	...	...	...	...	West. £4, £1 pd.	91 1/2	+1 1/2	4 8 3
98 1/4	87	95 1/4	75	Do. 4 1/2% 1958-68	115	...	3 18 0	...	...	...	...	...	...	...	...
119 1/2	112 1/4	117 1/2	110	Do. 5% 1968-78	115	...	3 9 0	28 1/2	24	50 b	40 a	Alliance £1, fully pd.	25 1/2	...	3 10 6
Dom. & Col. Govts.															
109 1/4	105	108 1/4	97	Austr. 5% 1945-75	103	+1	4 8 6	10 1/2	8 1/2	20 b	20 a	Atlas £5, £1 1/4 pd.	14 1/2	...	2 18 0
105 1/4	101	104 1/4	97	Canada 4% 1940-60	103	+1	3 18 5	5 1/2	4	2 1/2 b	1 1/2 a	Com. Un. £1, fy. pd.	9 1/4	...	4 6 0
118	114 1/2	115	109 1/2	Nigeria 5% 1950-60	111 1/2	+1 1/2	3 14 0	11 1/2	9 1/2	25 a	25 a	Gen. Acc. £1, 5/- pd.	43 1/2	+1 1/2	3 14 0
110	104 1/4	108	95 1/2	N. Zealand 5% 1946	99	+2	5 3 6	31 1/2	25 1/2	3 1/8	3 1/8	Lon. & Lanc. £5, £2 pd.	27 1/4	+1 1/2	3 13 5
107 1/4	103 1/4	107 1/4	95	Queens. 5% 1940-60	102	...	4 1 6	20 1/2	16 1/2	12 1/2	12 1/2	Pearl (£1), fy. pd.	10 1/2	...	2 19 0
114 1/4	110 1/2	112 1/2	97	S. Africa 5% 1945-75	107 1/2	...	3 14 3	31 1/2	25 1/2	6 1/2 a	6 1/2 b	Phoenicia £1, fy. pd.	15	...	2 19 0
Foreign Governments															
103	93	96 1/2	78	Arg. 4 1/2% Stg. Bds.	85 1/2	+1 1/2	5 5 11	106 1/2	81 1/2	106 1/2	106 1/2	Prudential £1 A	35	+1 1/2	2 17 0
105 1/2	97 1/4	102	73	Austria 1930 5%	40 1/2	-3	10 5 9	106 1/2	81 1/2	19 b	11 a	Do. £1, with 4s. pd.	92 1/2	...	2 4 0
91 1/4	84 1/4	89	38	Do. 4 1/2% 1934-59	58	-1	9 2 9	9 1/2	8 1/2	3 1/3	3 1/3	Royal Exch. £1	9 1/2	...	3 3 3
108 1/4	95 1/4	99 1/2	80	Belgian 4% (36) 1970	92 1/2	...	4 8 6	17 1/2	13 1/2	6 1/2 a	6 1/2 a	S. U. & N.A. £20, £1 pd.	8 1/4	...	3 16 0
100	92 1/2	96 1/2	81	Bulgaria 7 1/2%	31 1/2	-1 1/2	8 1 3	69 1/4	1 1/2	11 1/3	11 1/3	Sun. Lf. Ass., £1 fy. pd.	82 1/2	...	3 16 0
89 1/4	37	37 1/2	12 1/2	Brazil 5% Fd. 1914	13 1/2	...	Nil	81 1/2	7 1/4	110 a	110 b	Sun. Lf. Ass., £1 fy. pd.	7 1/2	...	2 13 0
28	15	19 1/4	14	Chile 6% (1929)	15	+1	13 6 9	...	...	...	...	...	...	...	...
95 1/4	54 1/2	60 1/2	37	China 5% (1912)	37 1/2	...	13 6 8	267	228	8 b	4 a	Anglo-Am. Deb.	230	...	5 4 0
101 1/2	59	73 1/2	40	Do. 5% (1913)	54 1/2	+1	9 3 6	16 1/2	11 1/2	3 1/2	3 1/2	Anglo-Celtic Ord.	11 1/2	...	7 9 0
108 1/2	101 1/2	105 1/2	20	Czechoslovakia 8%	48	...	16 14 8	7 1/2	6 1/2	7 1/2 c	10 c	Brit. Assets Trust 5 1/2	11 1/2	...	4 13 0
100	92 1/2	99	94	Denmark 3%	99 1/2	+1 1/2	3 4 7	20 1/2	17 1/2	208	6 b	Debenture Corp. Stk.	214 1/2	...	4 13 0
106 1/2	100 1/2	104	84 1/2	Egypt United £1	82 1/2	-3	4 17 0	23	208	3 b	11 1/2 a	For. Am. & Co., Def.	59 1/2	...	7 11 6
18 1/2	11	13	9 1/4	French 4% (British)	12 1/2	...	5 7 0	55 1/2	3 1/2	4 1/2 b	2 1/2 a	Guardian Investment	117 1/2	...	5 19 2
49 1/4	35	46	15	Gr. Dawes Ln. 5%	44	...	11 7 4	137 1/2	117 1/2	8 b	8 a	Ind. and Gen. Ord.	224	...	5 7 0
40 1/4	30	34 1/2	25	Do. Young Ln. 4 1/2%	33	...	13 12 8	254	200	8 1/2	5 a	Invest. Trust Deb.	26 1/2	...	5 10 0
62	47 1/2	58 1/2	20	Greek 6% Stab. Ln.	29	...	8 5 5	275 1/2	214 1/2	21 1/2	21 1/2	Lake View Inv. 10 1/2	14 1/2	...	6 10 0
88 1/4	53	60	35	Hungary 7 1/2%	32 1/2	...	11 10 0	157 1/2	117 1/2	41 1/2 b	3 1/2 a	Mercantile Inv.	235	...	6 2 2
94 1/4	57 1/2	64 1/2	38	Japan 5 1/2% 1936-63	50 1/2	...	11 10 0	157 1/2	117 1/2	7 b	5 a	Mercantile Trust Ord.	118 1/2	...	6 6 7
61 1/2	40 1/4	50	35	Do. 6% (24) red. 1939	52	-3	11 10 0	157 1/2	117 1/2	215	7 b	Metropolitan Trust...	217 1/2	...	5 10 4
83	56	75 1/2	54	Peru 7 1/2% 1922	43 1/2	...	9 4 0	251 1/2	215	4 c	4 c	Scottish Inv. 5 1/2	3 1/2	...	5 6 9
20 1/2	13	15 1/4	9 1/4	Poland 7%	65	...	8 9 3	5 1/2	3 1/2	6 b	3 1/2 a	Scottish Mort., & Co.	168 1/2	...	5 12 9
96 1/4	88 1/4	92	75	Roum. 4% Con. 1922	91 1/2	...	16 16 0	218	168	221	190 1/2	Trustees Corp. Ord.	192 1/2	...	5 13 1 1/2
U.K. & Arg. C. 3%															
79 ... 3 16 0															
Corporation Stocks															
118	111 1/2	115 1/4	101	British 5% 1946-56	111 1/2	...	3 8 2	...	...	...	...	United States Deb.	176 1/2	...	5 13 4
118 1/4	112 1/4	117 1/4	104 1/2	Bristol 5% 1948-58	113	...	3 10 5	...	...	...	...	...	...	...	...
95 1/4	82 1/2	87 1/2	75	L.C.C. 3%	81 1/2	...	3 13 7	35 1/2	21 1/9	10 c	13 c	Brit. S.Afr. 15/-fy. pd.	27 1/2	+6 1/2	7 8 0
101	93	97 1/2	90 1/2	Liverpool 3% 1954-64	93	...	3 11 8	23 1/9	10 c	3 c	3 c	Charterhouse Inv. £1	13 1/9	...	4 7 2
104 1/4	100 1/4	105 1/4	94 1/4	Mid. 3 1/2% 1957-62	102 1/2	...	3 7 2	16 10 1/2	12 1/9	2 b	2 b	C. of Lond. R. Pty. £1	13 1/9	...	5 16 0
Dailly Mail & Gen. £1															
24 1/2 ... 7 10 0															
Hulst £20 £5 pd.															
19 1/2 ... 5 14 3															
Forester & Co. £1															
22 1/2 ... 4 7 6															
Guinness's Bay Co. £1															
16 1/3 ... 8 12 0															
Java Invest. £1															
24 ... Nil															
Peru. Corp. Pref.															
9 1/2 ... 6 10 0															
Primordia Hold. £1															
30 7 1/2 ... 6 10 8															
Sudan Plant. £1															
7 1/2 ... 6 10 8															
Breweries, &c.															
115 1/2	97	2 1/2	2 1/2	C. Elec. 5% 1950-70	110 1/2	...	£ s. d.	77 1/2	61 1/3	5 a	12 1/2 b	Ansell's Brewery £1	64 1/2	...	5 9 3
119 1/2	108 1/4	2 1/4	2 1/4	Lon. Pass. Transport	111 1/2	+1	4 0 0	32 1/2	21 1/9	5 1/2 b	2 a	Barclay Perkins £1	22 1/2	+3 1/2	6 12 6
129 1/2	117	2 1/2	2 1/2	4 1/2% "A" 1985-2023	119 1/2	...	4 1 0	131 1/2	103 1/9	4 1/2	6 2 1/2	Bass Ratcliff Ord. £1	110 1/6	+6 1/2	4 10 0
122 1/8	106	2 1/2	2 1/2	5% "B" 1985-2023	116 1/2	+1	4 1 0	67 1/2	51 1/2	12 b	3 a	Charrington & Co. £1	60 1/9	...	4 19 6
84	68	1 1/2	2 1/2	"C" 1956 or after	116 1/2	...	4 1 0	82 1/6	65 1/6	14 b	6 a	Courage Ord. £1	66 1/2	...	6 0 3
92 1/4	78 1/8	1 1/2	2 1/2	Met. W.B. "B" 3%	85 1/2	+1 1/2	3 10 0	107 1/9	82 1/8	7 1/2 a	9 1/2 b	Distillers Ord. £1	71 1/2	+6 1/2	5 9 0
118	102	2 1/2	2 1/2	P. of Lon. 5% 50-70	114	...	3 10 0	75 1/2	72 1/6	17 b	10 b	Guinness Ord. £1	105 1/2	+6 1/2	5 9 0
Ind. Co. & All. £1															
73 1/9 ... 6 18 0															
Meux's Ord. £1															
31 1/9 ... 6 18 0															
Mitchells & Butlers £1															
71 1/2 ... 5 17 0															
Simonds (H. & G.) £1															
62 1/2 ... 5 15 0															
Taylor Walker Ord. £1															
32 1/9 ... 6 2 0															
Watney Combe & Def. £1															
59 1/2 ... 6 2 0															
Iron, Coal and Steel															
14	7 1/8	Nil	Nil	Allied Ironfound. £1	18 1/9	+1 1/2	10 13 4	48 1/2	34 1/4	6 b	4 a	Alfred Brown £1	37 1/2	...	6 15 0
6 1/2	3 1/2	Nil	Nil	Babcock Wilcox £1	38 1/12	+7 1/2	10 13 4	44 1/2	32 1/6	6 b	4 a	Babcock Wilcox £1	38 1/12	+7 1/2	10 13 4
17	8 1/4	Nil	Nil	Baldwins 4/-	6 3/4	+3 1/2	6 8 0	44 1/2	32 1/6	10 c					

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
					Pref. Amount	Ordinary Amount Rate				
Banks										
British Bank for Foreign Tr. Financial, Land, etc.	Apr. 30	Dr. 69,230	Dr. 6,085	Dr. 75,315	£ ...	£ ...	% ...	£ ...	Dr. 75,315	Dr. 3,361
Anglo-Belgian Co. of Egypt	July 31	175	3,286	3,461	...	2,197	6d. p.s.	1,000	264	2,238
Mulliners (Holdings)	Dec. 21	10,059	18,485	28,544	12,346	5,437	10	10,761	21,985	15
N.Zealand, etc., Land Mort.	Oct. 31	23,751	32,565	56,316	...	26,250	3½	5,000	25,066	30,451
Oil										
Apex (Trinidad) Oilfields	Sept. 30	118,557	398,418	516,975	...	220,000	40	168,604	128,371	408,628
Cleveland Petroleum	Oct. 31	22,557	314,639	337,196	...	188,862	(e)	106,920	41,414	572,566
Rubber										
Braunston (Malay)	Sept. 30	2,699	5,620	8,319	...	4,225	5	1,850	2,244	9,142
Elpitiya	Sept. 30	672	5,159	5,831	...	1,900	2½	3,455	476	8,035
Kali Glagah	Sept. 30	2,273	9,462	11,735	...	4,368	3	4,300	3,067	18,811
Langen (Java)	Aug. 31	12,209	8,436	20,645	...	7,500	6	1,500	11,645	17,353
Tanah	Sept. 30	2,633	3,100	5,733	...	...	...	313	5,420	10,899
Shipping										
Houlder Line, Ltd.	Dec. 31	38,712	151,663	190,375	12,375	29,906	(d) 7½	105,000	43,094	140,193
Shops and Stores										
Lockwood and Bradley	Mar. 31	Dr. 259,525	Dr. 11,769	Dr. 271,294	...	...	...	...	Dr. 271,294	Dr. 19,323
Textiles										
Hollins Mill	Nov. 30	30,375	23,894	54,259	33,500	...	...	20,759	58,429	5
Jute Industries	Sept. 30	31,739	89,304	121,043	32,625	...	...	56,941	31,477	123,451
Lancashire Cotton Corp'n.	Oct. 31	234,778	229,425	464,203	68,875	...	...	155,000	240,328	529,870
Trusts										
Rio Claro Investment	Nov. 30	77,893	94,053	171,946	43,628	37,811	6½	...	90,507	106,248
Scottish Stockholders	Nov. 30	9,457	21,513	30,970	20,991	...	...	...	9,979	33,667
Second Scottish Eastern	Nov. 30	23,867	29,249	53,116	16,735	10,069	4½	...	26,312	32,645
Other Companies										
Associated Paper Mills	Sept. 30	7,032	94,160	101,192	25,189	48,100	13	22,130	5,773	99,938
British Northrop Loom	Oct. 29	11,238	13,343	24,581	10,875	5	...	13,706	29,847	7½
English Clays, etc.	Sept. 30	31,604	138,030	169,634	38,171	32,073	2	66,161	33,229	188,649
Lindley (C.) and Co.	Sept. 30	9,142	14,656	23,798	2,059	7,944	22½	...	13,795	(a)
Pharaoh, Gane and Co.	Dec. 31	20,860	23,757	44,617	11,063	7,437	25	5,000	21,117	46,375
Turner and Newall	Sept. 30	115,770	1,408,387	1,524,157	101,098	1,065,756	20	240,693	116,610	1,405,606
Universal Asbestos	Oct. 2	4,993	58,732	63,725	4,425	18,125	25	20,534	20,641	(a)
Total Profits, 1939, in £'000's: No. of Cos.	To January 7	569	3,104	3,673	416	1,703	...	944	610	3,876

(a) No comparable figure. (d) Also special bonus of 2½ per cent. free of tax to be paid out of realised surplus on sale of vessel absorbing £13,750, leaving balance on that fund £7,858. (e) Represents 22 per cent. on ordinary stock and 46½ per cent. on deferred stock. (f) Represents 50 per cent. on ordinary stock and 344 per cent. on deferred stock.

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	%	%	%	%
Alexander Discount, ...	10½	17½	...	17½
Barclays Bank "A" ...	5½	10	...	10
Do. "B" & "C" ...	7½	14	...	14
Martin Bank ...	10	14½	...	14
National Discount "A" ...	5½	10	...	10
Do. "B" ...	17½	26	...	26
INSURANCE				
Manufacturers Life (Canada) ...	6½	12	...	12
MINING				
Anglo Diamond ...	(k) 5*	...	(k) 5*	...
Panti Cons. Invest. ...	...	9½	...	12½
Selukwe Gold ...	4*	...	...	...
TEA & RUBBER				
Balapoelan Tea ...	...	...	5*	...
Hunters the Teamen	11½*	...	11½*	...
Kampong Kuantan Rbr	5*	Feb. 1	6*	...
Leboing Tea ...	2½*	Jan. 27	2½*	...
Sidang Sari Tea ...	2½*	...	4*	...
Taping Rubber ...	5	Jan. 25	9	...
Wampoe Tob. & Rub. ...	2½	...	4	...
OTHER COMPANIES	%	%	%	%
Brit. Gen. Fixed Tr. (A) ...	5.2d	Jan. 15	5.8d	...
Brown (C.) Holdings ...	4*	...	5*	...
Bush (W. J.) and Co. ...	...	...	...	...
de Havilland Aircraft ...	(b) 12½	...	(c) 12½	...
English & N. York Tst	2½*	...	2½*	...
Freehold, etc., Invest. ...	2½*	...	2½*	...
Gilt Edged Fixed Tst. ...	(e)	Jan. 16	(e)	...
Groves (John) & Co. ...	2½*	...	2½*	...
Hampstead Trust ...	2½*	...	2½*	...
Houlder Line ...	5*	...	7½	...
Kingsbury Collieries ...	5*	Jan. 20	5*	...
Lobitos Oilfields ...	...	...	...	...
Mulliners Hlids. Ord. ...	...	10	15	...
Do. Pref. Ord. ...	11½	...	11½	...
Rio de Janeiro Flour	5½	8	8	...
Royal Dutch Co. ...	6*	Jan. 10	6*	...
Sanders Bros. ...	2½*	Jan. 7	2½*	...
"Shell" Transport ...	7½*	Jan. 31	7½*	...
Trinidad Sugar ...	5½	7½	10	...
Trustees Corporation	3*	Jan. 25	3*	...

* Free of income tax. (b) Paid on £800,000 of capital. (c) Paid on £600,000 of capital. (d) Also special tax free bonus of 2½ per cent. (e) 3-0812d. this year 3-1875d. last year. (f) Free of Portuguese taxes.

ROYAL DUTCH PETROLEUM.—Interim ordinary dividend maintained at 6 per cent. payable January 10th.

"SHELL" TRANSPORT AND TRADING.—Interim ordinary dividend maintained at 7½ per cent. free of tax, payable January 31st, on £23,945,633 as before.

LOBITOS OILFIELDS.—Interim ordinary dividend on shares 5 per cent. as before, payable January 20th.

ISMAY INDUSTRIES.—The preference dividend due January 1, 1939, is postponed. The directors state that there is no intention of reducing or altering in any way the rights and interests of preference shareholders.

PHILCO RADIO.—No preference dividend was paid on January 1, 1939, owing to the continued depression in the radio trade.

BURBERRY'S, LTD.—A dividend of 2½ per cent. is to be paid on 7½ per cent. cum. pref. stock on February 1st in respect of four months ended September 30, 1936. Dividend now two years in arrear.

OIL OUTPUTS

Anglo-Ecuadorian Oilfields, Ltd.—Output for December, 1938: 23,632 tons.

Attock Oil Company, Ltd.—Output for December was 46,128 barrels.

British Controlled Oilfields, Ltd.—Total output week to December 31, 1938: 11,929 barrels.

Dacia Romano Petroleum.—Gross output, November, 1938, Dacia, 1,594 tons; Perimeter X, 2,117 tons; Starnaphta, 281 tons.

Kern Oil Company, Ltd.—Total output, November, 1938, 244,585 barrels, or about 34,941 tons. Net profit year to May 31, 1938, £40,401, against £36,688. Ordinary dividend maintained at 7½ per cent., absorbing £39,422 (£35,156). Carry forward increased from £17,593 to £18,572. Net oil produced 1,828,588 barrels, against 1,805,944 barrels.

Lobitos Oilfield, Ltd.—Output of Peruvian Company for November, 1938, 27,473 tons. Output of Peruvian Company for December: 28,805 tons.

Trinidad Petroleum Development.—Output week ended December 31, 1938 58,484 barrels.

Venezuelan Oil Concessions, Ltd.—Total output week ended November 19, 1938, 1,343,225 barrels. Total output week ended November 26, 1938, 1,294,856 barrels. Total output week ended December 3, 1938, 1,158,669 barrels. Total output week ended December 17, 1938, 1,330,802 barrels. Total output for week ended December 24, 1938: 1,318,858 barrels.

Industry and Trade

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended		Jan.-November	
	Dec. 17, 1938	Dec. 24, 1938	1937	1938
Northumberland	300.6	260.2	13,114.9	12,285.3
Durham	681.7	587.2	30,584.6	28,950.4
Yorkshire	968.7	851.3	41,448.8	39,007.0
Lancs. Cheshire and N. Wales	374.2	345.4	16,196.0	15,596.8
Derby, Notts & Leicester	731.7	667.8	30,773.9	29,272.6
Staffs, Worcs, Salop and Warwick	445.1	395.5	18,434.6	17,914.5
South Wales & Monmouth	782.7	620.7	35,053.2	33,244.4
Other English districts*	129.9	106.4	5,080.0	5,032.6
Scotland	644.9	616.2	29,360.8	27,757.2
Total	5,059.5	4,450.7	220,046.6	209,060.8

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)				
Variety	Week ended		Total Deliveries	
	Dec. 23, 1938	Dec. 30, 1938	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	21.7	8.4	550	439
Brazilian	5.5	1.5	150	103
Peruvian, etc.	2.9	1.6	61	42
Egyptian	6.3	4.6	143	116
Sudan Sakel	3.1	2.1	74	74
East Indian	5.5	3.5	117	151
Other countries	2.4	1.6	88	60
Total	47.4	23.3	1,183	985

Metals

SALES ON LONDON METAL EXCHANGE

	Week ending		From Jan. 1 to Dec. 30, 1938
	Dec. 28, 1938	Jan. 4, 1939	
Copper	2,900	5,200	468,600
Tin	675	1,200	90,250
Lead	2,250	7,500	382,150
Spelter	2,850	4,800	286,075

U.K. STOCKS

	Dec. 24, 1938	Dec. 31, 1938
Copper (Br. official w/houses):	4,588	4,533
Rough	24,978	25,054
Tin (London and Liverpool)	9,465	9,674

METALS—(cont.)

TINPLATE INDUSTRY

Production—per cent. of capacity	Week ended		
	Dec. 25, 1937	Dec. 17, 1938	Dec. 24, 1938
61.42	43.93	36.16	
Shipments (warehouse and in vans)			
	7,953	5,223	5,085
Fifty-two Weeks ended Dec. 30, 1937			
	410,392	246,620	

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

From	Week ended		Season to	
	Dec. 24, 1938	Dec. 31, 1938	Jan. 31, 1938	Dec. 31, 1938
N. America	488	379	10,642	13,106
Argentina and Uruguay	116	150	2,091	2,701
Australia	198	310	4,094	4,235
Russia	69	...	3,754	4,220
Danube and dist.	271	420	3,963	4,802
India	...	...	899	424
Other Countries	13	15	334	429
Total	1,155	1,274	25,777	29,917
To—				
U.K.	307	189	7,019	6,826
"Orders"	178	406	5,153	7,030
France	43	37	301	702
Belgium	42	12	2,668	2,250
Holland	15	70	1,637	1,769
Italy	36	72	509	766
Greece	1	...	658	544
Scandinavia	20	12	664	827
Other European Countries	158	132	2,373	3,395
Ex-European Countries	355	344	4,795	5,808
Total	1,155	1,274	25,777	29,917

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL ('000 quarters)

From	Week ended		From Apr. 1 to	
	Dec. 24, 1938	Dec. 31, 1938	Jan. 1, 1938	Dec. 31, 1938
Argentina	189	325	31,012	11,440
Atlantic America	141	44	686	11,724
Danube Region	129	129	2,838	3,069
S. & E. Africa	13	63	5,179	1,261
Indo-China, etc.	90	92	1,514	1,756
Total	562	653	41,229	29,250

OTHER FOODS

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				SUGAR (per cwt.)—cont.				MISCELLANEOUS			
Dec. 28, 1938				Dec. 28, 1938				Dec. 28, 1938			
Jan. 4, 1939				Jan. 4, 1939				Jan. 4, 1939			
GRAIN, etc.—				TEA* (Auction Average) (per lb.)—				CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to 40 ton (free, non-returnable)—			
Wheat—				N. India				4-ton loads and upwards			
No. 2, N. Man. 496 lb.				S. India				42s. per ton			
Eng. Gaz. av. per cwt.				Ceylon							
Liv. Mar., per cental				Java							
Flour, per 280 lb.—				Sumatra							
Straights, d/d London				Africa							
Manitoba, ex store				Total							
Barley, Eng. Gaz., av. per cwt.				TOBACCO (per lb.)—							
Oats				Virginia stemmed and un-							
Maize, La Plata, landed, 480 lb.				stemmed, common to fine							
Rice, No. 2 Burma, per cwt.				Rhodesian stemmed and un-							
MEAT—				stemmed							
Beef, per 8 lbs.—				Nyasaland stemmed and un-							
English long sides				stemmed							
Argentine chilled hinds				East Indian							
Mutton, per 8 lb.—				Stemmed							
English wethers				Unstemmed							
N.Z. frozen wethers											
Lamb, per 8 lb.—											
N.Z. frozen											
Pork, English, per 8 lb.											
BACON (per cwt.)—											
English											
Danish											
Dutch											
Irish											
HAMS (per cwt.)—											
Canadian											
United States											
OTHER FOODS											
BUTTER (per cwt.)—											
Australian											
New Zealand											
Danish											
CHEESE (per cwt.)—											
Canadian											
New Zealand											
English Cheddars											
Dutch											
COCOA (per cwt.)—											
Accra, g.f.											
Trinidad											
Grenada											
COFFEE (per cwt.)—											
Santos supr. c. & f.											
Costa Rica, medium to good											
Kenya, medium											
EGGS (per 120)—											
English (15-15½ lb.)											
Danish (15½ lb.)											
FRUIT—											
Oranges, S. African boxes											
Brazilian Rio Pera boxes											
Jaffa boxes											
Lemons, Naples boxes											
Sicilian boxes											
Apples, Amer. (var.) barrels											
Canadian: Nova Scotian (var.) barrels											
Grapes, Almeria barrels											
Grapefruit, S. African											
Jamaica											
Jaffa, Seedless											
Cyprus, seedless											
Texas (March Seedless)											
LARD (per cwt.)—											
Irish, finest bladders											
U.S.											
PEPPER per lb.—											
Black Lampung (in Bond)											
" (Duty paid)											
White Muntok (f.a.q.) (in Bond)											
" (Duty paid)											
POTATOES, (per cwt.)—											
English, King Edward, Siltland											
SUGAR (per cwt.)—											
Centrifugals, 96%, prpt. shipm.											
c.i.f. U.K./Cont.											
Refined London—											
Yellow Crystals											

* Week ended Dec. 20th.

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

THE ECONOMIST

Vol. CXXXIV

JANUARY 14, 1939

No. 4977

CONTENTS

LEADING ARTICLES

Mr Roosevelt's Last Lap?	57
Civilian Defence	59
A New Index of Profits	60
The Carpathians and Roumanian	62
Oil	62

TOPICS OF THE WEEK

Mr Chamberlain in Rome	63
Farmers in Revolt	63
The Hitler-Beck Conversations	64
The Czecho-Hungarian Affray	64
The New Government in Japan	64
The War Minister Protests	65
Aid for Shipping	65
Refugees	66
Australian Aircraft Production	66
New Zealand's Imports	66
Palestine, the British Army, and "Atrocities"	67
Two Battles in Spain	67
The Defence of the Aland Islands	67
Official Secrets	68

OVERSEAS CORRESPONDENCE

United States; France; Germany; Canada	68
--	----

LETTERS TO THE EDITOR

Decentralisation	74
F.B.I. and New Zealand	74
Scottish Government	74
French Financial Policy	74

BOOKS AND PUBLICATIONS

Another Critic of the Soviets	75
Shorter Notices	75
Books Received	75

THE BUSINESS WORLD

LEADING ARTICLES	
Sterling and Gold	76
A Century of Indian Tea	77
Bank Share Prospects	79
FINANCE AND BANKING	
The Defence of Sterling	81
U.S. Silver Policy	81
Crisis Capital Movements	82
American Banking Trends	82
Jugoslavia's Exchange Policy	82
New Life Assurance in 1938	82
MONEY MARKET NOTES	
	83

the sit-down strike too tolerantly for the bulk of public opinion, is the new Attorney-General. And, to cap the list, Mr Felix Frankfurter, the Austrian-born Jewish Harvard professor who has been the legal teacher and political inspirer of almost all those clever young New Dealers most feared by the businessmen, has been nominated for the vacancy on the Supreme Court itself. All three of these are men of ability and merit—Mr Frankfurter consummately so—but all three are men who arouse bitter prejudice on personal, political or religious grounds. To send their names forward to the Senate for confirmation at this precise juncture is a challenge, almost an act of defiance.

The same note of unrepentance was struck last week in the first of the series of Messages with which the President has outlined the agenda for Congress. True, Mr Roosevelt, like a skilful general, concentrated his forces by withdrawing on less vital fronts. In the field of foreign policy, he sought, and found, the greatest common measure of agreement with his eloquent restatement of America's attachment to the cause of democracy. Even within the more controversial field of domestic economic policy, he hinted that the period of conflict between the Administration and the business world was at an end. But on the subject which is at once the main stem of his current policy and the chief target of the attacks upon him he showed no weakening. This is the policy of spending for relief and recovery. In his eyes, the existence of a Federal deficit at the present moment is a necessity that is not even painful.

The Budget Message on Thursday of last week was inspired with the same doctrine. The astronomical figures of the Federal Budget are worth quoting:—

	Receipts	Expenditure* (\$ millions)	Deficit
1933-34 ...	3,116	6,746	3,630
1934-35 ...	3,800	6,802	3,002
1935-36 ...	4,116	8,477	4,361
1936-37 ...	5,294	8,001	2,707
1937-38 ...	6,242	7,701	1,459
1938-39 (est.)	5,520	9,492	3,972
1939-40 (est.)	5,669	8,996	3,326

* Excluding debt retirement

The picture presented is one of surprising consistency. Both receipts and expenditure have shown a rising tendency, and the deficit has remained, except for one year, between a third and a half of the total expenditure. For 1939-40 the President proposes no change in the general outlines of the Budget. "Moderate additional taxation" is suggested (with the strong hint that it should be imposed on the rich or on business) to pay for additional expenditure on agriculture and on national defence, and recovery in business conditions is counted on to effect a small reduction in the deficit. But the President specifically defended the existence of a large deficit as an element in economic policy.

His reasoning is logical. If the national income were to return to its "normal" level of \$80,000 millions, he argues, tax revenue would be sufficient, without any increase in the rates of taxation, to cover expenditure. And, in the meantime, any attempt to balance the Budget would impede the return to a normal income. It is possible to have some theoretical sympathy for the doctrine of an eight-year, instead of a twelve-month, Budget, but still to find no resemblance to the theory in a Budget which by July, 1940, will not have been balanced for ten years, a decade during which the revenue has been less on the average than 60 per cent. of the expenses. On the other hand, it is difficult to have patience with those of Mr Roosevelt's opponents who think of balancing the Budget solely in terms of cutting expenditure almost in half—which would certainly cause social misery and probably economic calamity as well. If the American Budget is to be balanced, it can be done only by facing the necessity to which the whole body of American politicians (with a few notable exceptions, such as Senator La Follette) has

hitherto turned a blind eye—namely, the necessity for higher taxation on the middle incomes.

In one form of expenditure, that on national defence, Mr Roosevelt was more moderate than had been expected. The total expenditure for 1939-40 on national defence is put at \$1,320 millions. Of the increase of \$309 millions included in this figure, \$99 millions is for the continuation of existing programmes and \$210 millions is the first instalment of a new \$500 million programme. As a device for fostering recovery, armament expenditures on this scale are negligible. The figures seem, indeed, to dispose of the belief that the President is deliberately exaggerating international dangers in order to provide himself with a form of spending more popular than the much-criticised W.P.A.—a belief that might have been confirmed by what appears to have been the excessive alarmism of the reports given to a Congressional Committee by the Ambassadors in London and Paris. The evidence seems to show that Mr Roosevelt does no more than accurately reflect the prevailing sentiment of the American people in the attitude he takes towards the policies of the dictators and the practical conclusions of foreign policy he draws. There is, in fact, an astonishing revolution in American thought in progress. One of the recent "polls" of public opinion asked the question, "Should the democratic Powers, including the United States, now stand firm together, at any cost, to prevent Hitler or Mussolini from taking any more territory at the expense of other nations?" and received the astonishing response of 56.3 per cent. of affirmative replies. The significance of these "polls" lies not so much in any precise accuracy they may have as a reflection of public opinion as in the fact that they are generally believed, in America, to be accurate. Such a result would have been utterly inconceivable a few short months ago. It does not, of course, mean that there are not still several conflicting schools of thought on the matter—those who deplore the policy of democratic defiance, those who begrudge the millions to be spent on armaments, and those who dislike both features of the President's policy impartially. But the main body of opinion is moving with astonishing rapidity along the road on which Mr Roosevelt is leading it.

It may be assumed that the President will do what he can to capitalise the fact that the nation stands with him in his abhorrence of the dictators and in his fears of their intentions. Much will therefore be heard of foreign affairs in the coming months. But unless war itself should break out, Mr Roosevelt will stand or fall on domestic issues. The chief of these, so far at least as the world of politicians is concerned, is whether Mr Roosevelt will be a candidate for the Presidency a third time in 1940. He could still beyond question collect at the polls many more millions of votes than any of his nominees, so that the fate of his "purge" last summer may be no guide to that of his own candidacy in 1940. But the tradition against a third term is so strong that he may well decide not to defy it. If so, he has to make the further decision whether to put all his weight behind a New Dealer (Mr Hopkins might be his choice) and run the risk of defeat in the Convention, or to agree with the Conservatives on a safe compromise candidate who would bury the New Deal. Behind all these Democratic calculations there is the uneasy awareness that perhaps, after all, the tide has turned and that 1940 will be a Republican year. And there is always the grand confusing factor of the mere passage of time and all that it may bring. It is in the nature of the Presidential system that American politics should resemble the struggle of a political Gulliver in Lilliput. This has never seemed more true than in the last six years. But though the difference in political stature between Mr Roosevelt and his opponents is as great as ever, the odds in political fighting power are more level than they have been for many years past.

Civilian Defence

THE oldest duty of governments is to furnish their citizens with safety. Three months ago the challenge of impending war showed that two years of preparation had failed to provide the crowded and vulnerable cities of Britain with any adequate protection against air raids. Today, when the post-Munich promise of peace in our time has worn sadly thin, there is a growing clamour in the country for effective and forthright measures of civilian defence. We have it on the authority of Sir John Anderson himself, Lord Privy Seal and Minister for Civil Defence, that "there is risk of war within a comparatively short time"; and the surest way to counter diplomatic blackmail or to deter military aggression is to couple a clear foreign policy with stout defences.

That anxiety about the state of our defences is growing is undoubted. When Sir John Anderson returned from his merited holiday last week-end he found a *crescendo* of criticism awaiting him. In September, London lacked anti-aircraft guns of modern design, trained personnel for the balloon barrage, defences against explosive bombs, men and equipment for fighting bomb-born fires and, above all, a central plan and organisation. In addition, Britain's strength in bomber and fighter planes was too inferior to the reputed power of Germany to offer safeguards in the air. The current indictment is that, apart from the marked acceleration of anti-aircraft gun production, which should absolve the War Minister from the rebukes which are somewhat mysteriously heaped upon him, and the increased output of airplanes, very little has been done in the last three months to remove these vital disadvantages.

Sir John Anderson speaks no more than common sense when he says that war cannot be made safe for the civilian. But, three months after Munich, it is alleged that we have neither taken nor decided upon any proper precautions against the devastating power of high explosives; that, in our safeguards against the consequences of incendiary bombs, we have failed to furnish the necessary equipment and training facilities; and that plans for the evacuation of part of the civilian population from crowded areas are still confused and incomplete. Up to a few short weeks before the September crisis, the Government were seemingly satisfied that the instructions contained in the Home Office handbook for the protection of houses against gas attacks and fire were sufficient. Then, after having previously repudiated the need for evacuating children or adults from crowded towns in emergency, they accepted the Anderson plan and hurriedly ordered local authorities, with no time to prepare properly, to improvise transfer and billeting schemes. Since the crisis, they have made more concessions. They have elaborated their evacuation schemes and, for the first time, they have recognised the overriding danger of high-explosive bombing. Even so, they have not stilled complaint. Many of the trenches hastily dug in September, in which no more than 5 per cent. of the population ostensibly served could be crowded, have filled with water or subsided. The steel basement or lean-to shelters on which the Government propose to spend £20 millions to guard against splinters and blast will admittedly protect only against those by-products of high explosives which are explosive itself. There is no serious dispute about the shortage of fire-fighting apparatus and about the accommodation for the training of auxiliary firemen.

Sir John Anderson himself is optimistic. On Monday he told the Press that fire-fighting and other A.R.P. equipment would be fully supplied by the end of this year. He expressed complete confidence that his forthcoming recruitment campaign, on the basis of the National Service

Guide to be circulated to all households on January 25th, would sufficiently fill all gaps in personnel. He pointed out, and here he would find all his critics in full agreement, that the *sine qua non* of policy was to shore up our defences "as speedily as possible." The need for rapidity of action, he argued, precluded the Government from concentrating on long-term policies, such as the costly provision of deep bomb-proof shelters. In effect, he is planning to make Britain as safe as possible from air attack this year.

Considerations of urgency are indeed important, and Sir John had, owing to previous negligence and bungling, to start almost from scratch; and, despite official denials, it seems likely that he has had to contend with some Treasury intransigence. There is clearly a necessary distinction to be drawn between the short-term measures which are possible of achievement in a single year and the long-term measures which might occupy two years or more. It took Barcelona eighteen months to provide deep bomb-proof shelters for half the city's population. To set up properly organised rural camps for evacuated school children, where they might pursue health and their studies in safety, would patently take longer than to earmark paid lodging in private houses (which is at present being done on the basis of the census plan made public on January 6th). If the assumption behind the Government's policy is that an early war is likely, swift provisional measures are imperative.

Nevertheless, it remains incumbent upon the Government, on the one hand, to satisfy public sentiment that their provisional programme is efficient, and, on the other hand, to furnish proof that, at the same time, more thorough steps are being taken to provide the more complete protection which only a long-term policy can give. Actually, on both counts there is ground for doubt. In Barcelona the basement and lean-to shelters we are to build have been condemned, not simply as less efficient than underground refuges, but even as ineffective protection. Sir John's assurance that fire-fighting equipment and training facilities will presently leap to sufficiency lacks corroborative evidence. It is by no means certain that the voluntary register, whose trial period ends in March, will not then be proved a failure; and no one yet knows what to do or where to go in an emergency. The latest evacuation plans reveal yet another change of policy: provisionally, only children are listed for transfer, and "most people will and should stay where they are." The choice of areas for evacuation seems to be somewhat arbitrary. Birmingham and Smethwick are to send their children away; West Bromwich and Wolverhampton will not. Newcastle and Gateshead are evacuation areas; Wallsend, Felling, Jarrow and Hebburn are not. Manchester is; Preston, Warrington, Blackburn and Oldham are not. The London metropolitan boroughs are; Brentford, Chiswick, Ealing, Hendon, Heston, Barnes and Croydon are not; nor are the great steel-smelting towns. And, under the voluntary regime, the spontaneous evacuation of adults, who are not yet covered by official plans, may throw transport into chaos and disrupt billeting arrangements.

Nevertheless, the cause of criticism does not lie so much in the steps the Government have taken or propose to take as in their omissions and their general attitude to the problem. There is ample justification for an *ad hoc* short-term policy; but only if it promises to be, within its limits, efficient, and if, at the same time, it is coupled with a more adequate long-term plan. According to Sir John Anderson, the Government have relented so far as to have

an "open mind" about deep bomb-proof shelters, though it is now reported that such shelters have, apart from possible local exceptions, been ruled out as too costly. If "most people are to stay where they are" the provision of such shelters is imperative.

The root trouble is the Government's disinclination to realise, or admit, that they have perforce been called upon to carry through a revolution in the nation's economy. Britain's defence does not end with the old-style fighting services; it comprehends the whole life of the country. The mobilisation of men, mind and materials in the defence of peace is inescapable, and no device of organisation to achieve this end can be neglected. It is the prejudice which causes the Cabinet to look askance at proposals for a Ministry of Supply and a compulsory register that has led them to starve civilian defence of its greatest need: a comprehensive central plan, with a competent central staff with ample powers of command and supervision and a *cadre* of trained and able regional experts.

A New Index of Profits

THE review of industrial profits which appeared in *The Economist* of July 16, 1938, was justly entitled "Profits at the Peak." The net profits of 374 companies reporting in the September quarter showed a fall of 1.4 per cent., while the 564 companies whose reports were received last quarter show a fall of 4.4 per cent. And the latest evidence is the more conclusive, for while the "third quarter" sample is not wholly representative of industrial earnings at home, the "fourth quarter" figures include the profits of a large number of important British industrial concerns whose financial year ends on September 30th.

The Economist's profits figures for the three decades during which they have been collected were analysed in the special survey included in the issue of December 17th last. It was then announced that it is proposed in future to publish a quarterly index of British company profits. Before the construction of this index is explained, however, the results both of the December quarter and of the year 1938 must be passed in brief review. For 1938 as a whole, industrial

The local authorities are clamouring for a lead that does not come: every step forward in A.R.P. has to be forced upon the Government; in London, for instance, the boroughs are calling for the regional authority that is obviously necessary to resolve the differences due to the present multiple division of control and responsibility; and, all over the country, eagerness to serve is sinking as time slips barrenly away. No critic can condemn the Government out of hand for having wholly failed. But no one can claim that they are yet in clear sight of success. What is most urgently needed is general public confidence that the Government are doing all that is possible. And it will be difficult to create that confidence until the Government have, once at least, adopted some policy without first deriding those laymen who suggest it, then insisting that it is too costly or difficult and finally sponsoring some half-hearted version of it under severe pressure from Parliament and public. It is neither money nor men that are lacking, but leadership.

profits showed a rise of 6½ per cent., and, when calculated back by means of a "chain" index, the level of company earnings last year was one-fifth higher than in 1928. The trend of profits reported in each of the last ten calendar years is shown in Table I.

The profits of the December quarter and their distribution in dividends and reserves are set out in Tables II and III, while the usual industrial analyses will be found on page 102. Compared with the headlong fall in the profits of "fourth quarter" companies in 1930, a decline of 4.4 per cent. for the last quarter of 1938 must be accounted distinctly moderate, for the average accounting period of the 564 companies concerned covered practically a whole year of industrial recession. Directors, however, have not overlooked the possibility of a further fall in earnings during the current year. From a slightly smaller cake they have cut thinner slices for both preference and ordinary dividends, and have retained 37.3 per cent. of the distributable profits in reserves, compared with 32.7 per cent. for a similar (though not identical) sample of 549 companies which reported during the fourth quarter of 1937. The latest results, again, owe much to the substantial increase of 11½ per cent. in the profits of 37 coal and steel companies reporting last quarter, while shipping earnings (thanks mainly to the excellent P. and O. results) show a rise of practically 18 per cent. These groups, together with tobacco, which shows a small rise, contributed more than one-third of the total profits reported last quarter. On the other hand, the groups which show a substantial percentage decline in profits—including financial, land and investment, oil, tea and rubber companies, and the textile group

TABLE I.—PROFITS IN CALENDAR YEARS

Reports received during Calendar Years	Number of Companies	Profits (after debenture interest)	Profits, same Companies, preceding year	Increase or Decrease on preceding year
1929	1,770	£ 194,681,216	£ 194,616,731	+ 0.03
1930	1,932	197,539,909	198,817,771	- 0.64
1931	2,009	160,076,906	206,561,219	- 22.5
1932	1,998	143,315,094	174,993,061	- 18.1
1933	1,945	141,428,663	140,756,731	+ 0.48
1934	1,975	168,857,483	144,839,016	+ 16.7
1935	2,116	203,246,989	175,289,571	+ 15.9
1936	2,186	239,121,973	212,168,512	+ 12.6
1937	2,279	281,434,843	240,339,194	+ 17.1
1938	2,389	302,735,136	284,379,717	+ 6.4

TABLE II.—PROFITS OF "FOURTH QUARTER" COMPANIES, 1929-38

Reports Issued during Fourth Quarter	No. of Companies	Total Profits (after deb. interest)	Change since preceding year (same companies)	Total Preference and Ordinary Capital	Ratio of Profits to Capital
1929	420	£ 33,404,593	+ 1.4	£ 323,129,955	10.3
1930	509	32,174,677	- 18.1	392,547,000	8.2
1931	474	12,292,859	- 53.9	383,451,625	3.2
1932	472	17,443,106	- 2.9	425,066,882	4.1
1933	464	21,116,780	+ 30.3	410,816,381	5.1
1934	468	28,611,449	+ 32.9	401,504,146	7.1
1935	485	33,561,979	+ 16.9	377,470,062	8.9
1936	496	42,134,767	+ 15.2	395,408,899	10.6
1937	549	57,436,059	+ 20.2	434,822,726	13.2
1938	564	57,113,768	- 4.4	421,863,955	13.5

TABLE III.—DIVISION OF PROFITS (FOURTH QUARTER COMPANIES)

Reports issued during Fourth Quarter	Proportion of Total Profits* (= 100)			Rate of Payment on Each Class of Capital			
	Paid in Pref. Div.	Paid in Ord. Div.	Put to Reserve or "Carried Forward"	Debtenture	Preference	Earned for Ordinary	Paid on Ordinary
1929	16.0	66.0	18.0	5.29	4.7	13.5	10.6
1930	21.9	60.2	17.9	5.19	4.5	10.3	8.4
1931	43.1	76.9	Dr. 20.0	5.18	3.8	2.9	3.9
1932	32.4	75.4	Dr. 7.8	5.16	3.6	4.4	4.9
1933	19.6	64.3	12.3	5.04	3.2	6.2	5.2
1934	19.6	59.9	20.5	4.95	3.7	9.9	6.8
1935	19.0	55.2	25.8	4.84	4.5	11.6	7.9
1936	17.5	53.5	29.0	4.75	4.9	14.2	9.2
1937	15.7	51.6	32.7	4.59	5.4	16.2	11.2
1938	13.9	48.8	37.3	4.47	5.0	16.7	10.6

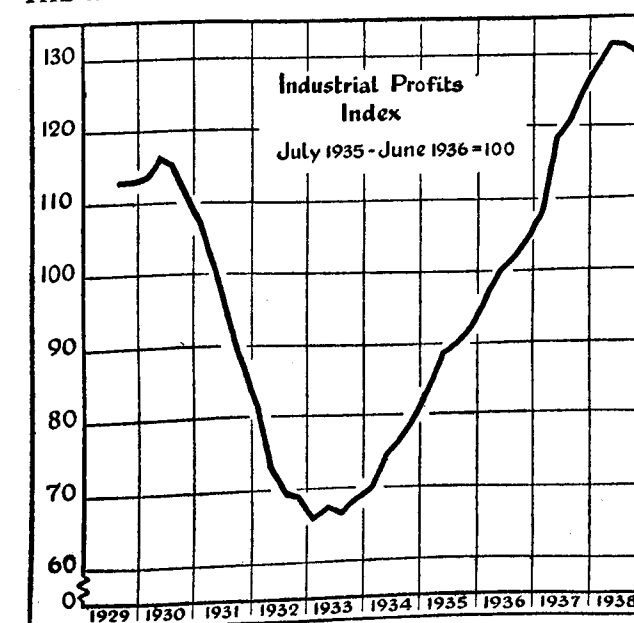
* After debenture interest.

—provide a relatively small quota towards the quarter's profits. There is, in short, a good deal of dispersion in the quarter's results, whose net effect has been to cushion the fall in total profits for the 22 industrial groups.

Hence, it would not be surprising if the important company reports which will be published during the next month or two were to show a more significant fall in earning power than those of the past quarter. The investor, in fact, has been enjoying the advantage of the time-lag between falling industrial activity and its reflection in reported industrial profits. It is this time-lag which dogs every attempt to give an up-to-date measure of current industrial earning power. Until companies issue their annual reports on the same date each year, and, secondly, supply quarterly earnings figures on the American style, no profits index can be made statistically perfect. Irregular publication of a given company's results from year to year compels the adoption of the chain index method, since the sample of companies varies from month to month, and, indeed, from quarter to quarter. Moreover, the total profits reported in any one quarter may have been earned, on the average, ten to eleven months earlier. Hence there is a considerably increased time-lag to be taken into account when considering the profits of any twelve consecutive months. *The Economist* has for some time published four quarterly indices in which the profits reported in each quarter are compared, by the chain method, with those reported in the same quarter of 1928. While these quarterly index numbers are more up to date, they separate the profits experience of any twelve months into four arbitrary parts, each of which tends to have its own idiosyncrasies. These are necessary imperfections in the material, and they prevent the compilation of a simple index number like that of wholesale prices or security values.

To provide a comprehensive index which would be available more often than once a year, a new index has been calculated. This takes, every three months, the four latest quarterly indices and combines them with weights proportionate to the amount of profits involved. At the same time, the base has been altered to the period July, 1935-June, 1936; hence the base period roughly covers profits reported in respect of accounting periods falling in the calendar year 1935. Thus each quarterly index number embraces the profits reported in the latest quarter; but it is not confined to them, and also includes the profits of the three preceding quarters. Statistically, it is undesirable that profits reported a year earlier should have to be incorporated in an up-to-date index—it cannot be claimed, in other words, that the twelve-monthly index provides a wholly accurate

THE ECONOMIST INDEX OF INDUSTRIAL PROFITS



impression of the rate at which profits are currently moving. But it does claim to show the proportion in which the profits reported in the last twelve months compare with the profits of similar periods in past years; and this gives a more reliable indication of the trend of earning power of industrial companies as a whole than the sectional quarterly indices, hitherto published in *The Economist*, have permitted.

Two principal points may be made regarding our new index, which is plotted on the accompanying chart. First, it indicates, quite accurately, the cyclical swing of industrial profits. The decisive bottom established in the first three quarters of 1933 is in complete accord with the movement of the quarterly index numbers, for the fourth quarter's index for 1933 was the first to show a significant improvement after the depression. Conversely, the continued rise in profits in the first and second quarters of 1938, and the subsequent check in the third and fourth quarters is also faithfully reflected in the twelve months' index.

The second point that it is necessary to emphasise is that profits cannot be included in the index until they have been reported and that no attempt has been made to "date them back" to the period in which they were earned (though the selection of the period July, 1935-June, 1936, as the base is a rough-and-ready attempt to make the new index comparable, in its proportions if not in its timing, with the large number of other economic series that are based on the calendar year 1935). For those who wish to have a clearer impression of the economic timing of changes in earning capacity (as contrasted with the timing of the published results) the following summary may be of some service:—

Twelve months' Index to	Average date on which accounts of cos. included were closed	Middle date of average year in which profits earned
March	July 7*	Jan. 7*
June	Nov. 8*	May 8*
Sept.	Jan. 3	July 3*
Dec.	Mar. 30	Sept. 30*

* Previous year.

The third column in the table above is a striking reflection of the deficiencies in the reporting of British company profits. On the average, our twelve-monthly index will be based on company reports published eight or nine months earlier, while the average date on which profits were earned involves a further time-lag of six months. For those who are interested in the economic aspects of industrial profits (as opposed to their investment importance) the application of these time-lags to our published index is essential.

It is too early to base any estimate of the course of future earnings on the decline in our new index from 131.7 to 130.3 during the last two quarters. It is worth noting, however, that the rate of decline from the peak has so far been quite moderate compared with the fall in the second half of 1930. And if a decline in profits is in prospect, it is fortunate both for the investor and for the Chancellor of the Exchequer that the absolute level of industrial earning power, as measured by the index, was 12 per cent. higher in June last than at the beginning of 1930, when the index reached its cyclical peak of 116.5. The rise in profits from the middle of 1933 to the middle of 1938 was, of course, both steep and extensive. Lest any false conclusions be drawn from this fact, it is worth mentioning that the increase of about 12 per cent. from peak to peak is less than the simultaneous increases in either the Index of Business Activity or in Mr Colin Clark's estimates of the national income. The new index of profits, in short, provides no *prima facie* evidence, despite the steep rise in the recovery years, that profits are taking a larger share of the national income than in the past.

The Carpathians and Roumanian Oil

IN the situation created in Eastern Europe by the downfall of Czechoslovakia the mountain system of the Carpathians is a strategic factor of paramount importance. The Carpathians cannot compare with the Alps in elevation—they nowhere pass the height of 9,000 feet—but they are broad and extremely rugged; and they have been much less broken in by engineering. Economically they form no serious barrier, for there is no longer any obstruction of shipping on the Danube at the Iron Gates, and there are several railways through the passes. But for the operations of a big modern army in a major war the range would be a most formidable impediment, and even for a force with free passage through its defiles it would pose a difficult problem of communications. Any power engaging in large-scale warfare on the other side of such a mountain range from its bases of supply would be at a serious disadvantage.

In effect this means that Germany, having absorbed Austria and obtained a stranglehold on Czechoslovakia, has now a strategic ascendancy over the lands within the Carpathian arc—that is to say, the territories of the old Kingdom of Hungary, including Transylvania—but that the Soviet Union retains a corresponding strategic ascendancy over Old Roumania (Wallachia and Moldavia), which lies outside the arc and far away from the Silesian frontier of Germany. This natural partition of spheres of power might form a basis for a mutually satisfactory compromise between Germany and Russia were it not for the fact that the great Roumanian oilfield, the only big source of natural oil supply in Europe to the west of the Soviet Union, is in Old Roumania, which is on the wrong side of the Carpathians from Germany's point of view. The oil-bearing belt stretches round the most easterly corner of the range with its centre at Ploesti to the north of Bukarest.

It is clear that in war-time this oilfield would be of vital importance to Germany, unless she were assured of supplies either from Russia or from outside Europe. It

appears to be the general opinion of experts that Germany's own production of oil from coal could not suffice for her needs in a major war of any duration. Thus the alignment of Roumania in the event of a European war might be decisive in its effect, but her very capacity for granting or withholding vital supplies to Germany would involve her in grave dangers. If she withheld oil, she would risk a German invasion; if she supplied it and if Russia were a belligerent against Germany, she would have to reckon with a Russian attempt to cut off the traffic. In either case, Roumania would become a storm centre, and in either case, because of the orographical factor, the strategic position would be unfavourable to Germany.

If Roumania were hostile to Germany and it became a necessity for Germany to seize the Roumanian oil wells, the campaign would be one of great difficulty. Assuming that the Germans were given passage through Hungary and were assisted by a Hungarian army, they would doubtless succeed in over-running Transylvania, but they would then be faced with the task of forcing the Carpathian passes into Wallachia, and it is very unlikely that they would be able to repeat the enveloping movement by which they won their victories over Roumania in 1916. Then both Turkey and Bulgaria were allies of the Central Powers, and thus it was possible for Germany to attack Roumania from the South; Mackensen, with a mixed army of Germans and Bulgars, crossed the Danube from Bulgaria while Falkenhayn pressed on the Carpathian passes from the side of Transylvania. Of the passes, only one, the Vulkan, was forced by the Germans coming from Transylvania; the rest were rendered untenable by Mackensen's drive against their defenders' rear. Such strategy, however, requires an alliance with Bulgaria, and it is improbable that Germany will in future be able to obtain this alliance—except after very decisive victories in the opening stages of a war—because of the new conditions created by the Balkan Pact. Bulgaria might be only too willing

to join Germany in an attack on Roumania in order to recover her irredenta in the Dobrudja, but she would almost certainly be deterred by the superior military power of Turkey. Turkey, resolved to maintain an absolute independence in world affairs and to resist a German hegemony in the Balkans, could make a most important intervention in a European war merely by securing Roumania against attack from Bulgaria, and in the circumstances here contemplated there is good reason for believing that she would act in this way.

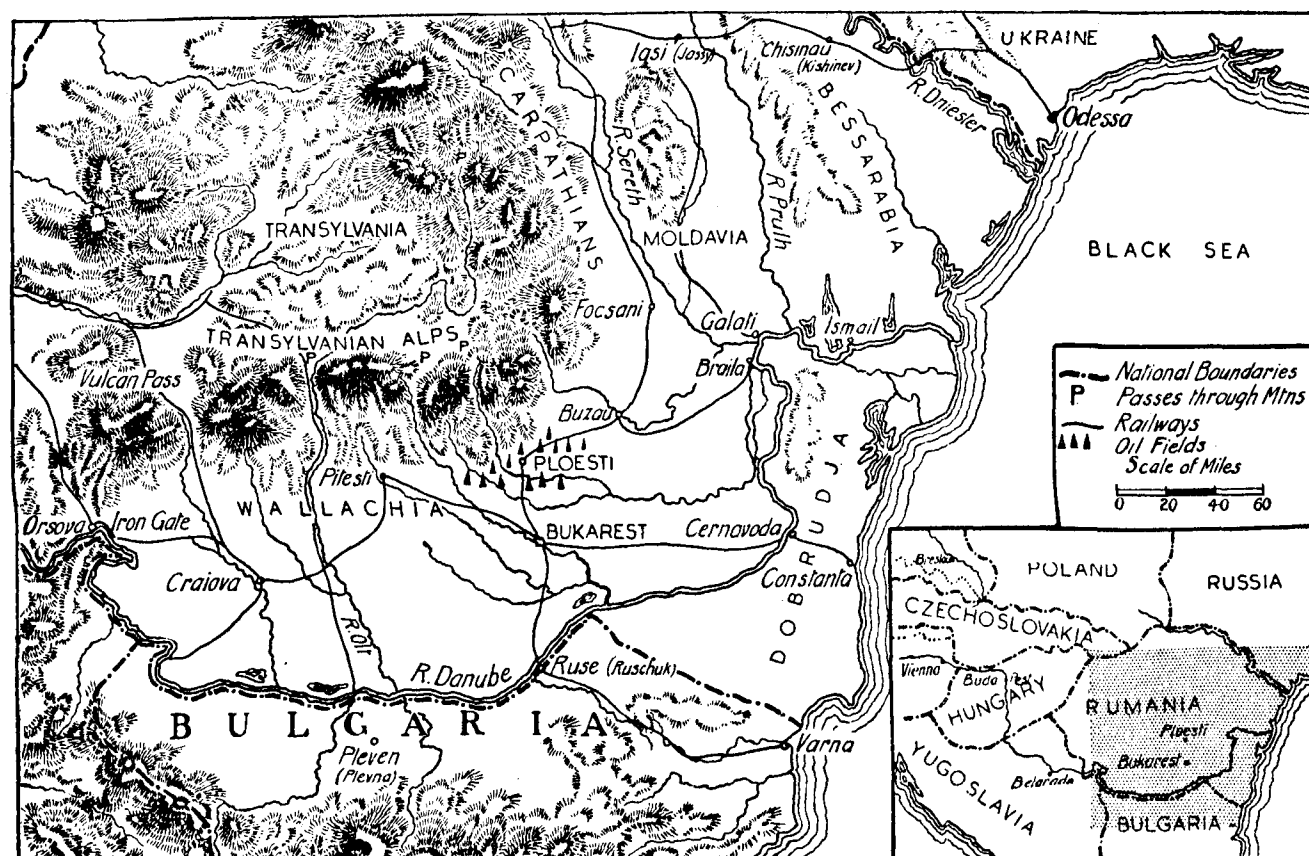
Without the possibility of an offensive from the south the Germans would have to force the Carpathian passes by frontal attack, and if they succeeded in this they would then have to occupy a large territory on the further side of the mountains and hold it against the counter-offensives of a Russian army based on Odessa. The forcing of the passes would certainly be no easy matter if the Roumanians were supported by Russian artillery and aircraft. But even if the passes were lost, the invaders would be at a great disadvantage for fighting in the Wallachian plain, for the Russian mechanised columns could operate without any obstruction except that presented by the rivers, whereas every German tank, lorry and big gun must come over the hairpin bends of the few Carpathian mountain roads and railways.

The same considerations would apply, though, of course, in a lesser degree, if Roumania were not hostile but friendly to Germany and were resolved to resist any coercion from Russia. The bottle necks of the Carpathian passes would make it very difficult for Germany to deploy a large army in Moldavia and Bessarabia to defend Roumania against a Russian invasion across the Dniester. If the Russians chose to concentrate their main strength on this front, they would have good prospects of capturing the oil wells area, and large German forces would be pinned down to battle under most unfavourable conditions.

The most effective way for Germany to reinforce a pro-German Roumania against a Russian invasion would be by use of the Danube. The warship flotilla which the Germans are building on the Danube, together with the Breslau-Vienna highway and the Oder-Danube canal now to be constructed through Czecho-Slovakia, will certainly give Germany a great capacity for utilising the river for strategic

purposes. However, part of the course of the Danube lies within the borders of Yugoslavia, and even if that country could be induced to grant passage to German gunboats and transports, such an encroachment on Yugoslav independence might put a severe strain on the Rome-Berlin Axis. So far the Axis has shown an impressive solidity, chiefly on account of the Spanish issue; but in the long run Italo-German partnership is conditional on Germany's willingness to keep away from the Adriatic, and if this *sine qua non* is to be observed, Yugoslavia must be left as a buffer state.

Apart from complications over Yugoslavia, Germany runs the risk of alienating Hungary by friendship with Roumania. Politically the Nazis have two great assets for their relations with Roumania—anti-Semitism and the fear of Bolshevism in the Roumanian ruling class. But neither of these assets is quite what it was; the glamour of Jew-baiting has been considerably diminished by the disastrous Goga experiment and many Roumanians in high places are convinced by now that Stalin does not desire to rekindle the fires of the October revolution either in Roumania or elsewhere. The shooting of Codreanu and the other Iron Guard leaders by their guards while they were trying to escape led to an outburst of abuse in the German Press against the present Roumanian regime which reveals all too clearly what hopes Germany was banking on an Iron Guard revolution. The attractions of a pro-German orientation being thus on the decline, Germany can only bring Roumania into her orbit by giving her a guarantee of her frontiers against Hungarian revisionism. But this means disappointing Hungary, and the resentment of Hungary is not a matter which Germany can lightly ignore. Hungarian revisionism wrecked all the attempts of France to construct a Danubian Federation to replace the former Empire of the Habsburgs, and now that Germany has taken over the inheritance of the "French system," its thorniest problem remains to plague her too with its incompatible nationalist obsessions. A frustrated Hungary might not dare to resist Germany or deny passage to German troops in a crisis, but she could not be an enthusiastic ally, and her discontent would be a serious factor of weakness in Germany's position. *Mittleuropa* is not going to be all beer and skittles even for the Third Reich.



Topics of the Week

Mr Chamberlain in Rome.—*Roma veduta, fede perduta* is a saying sometimes heard in Italy which we sincerely hope will not be true of Mr Chamberlain when the full glory of the Eternal City, with its wonders old and new, strikes upon his eye. For he goes, if we can believe the commentators, with a high heart and an open mind, anxious only to explore. He goes a believer in appeasement coupled with no surrender of vital interests; we wish that he may return with unbroken faith. On the Italian side Mr Chamberlain's visit means a great diplomatic triumph (to the ordinary Italian, steeped in the right opinions, almost a miracle; and a miracle not entirely of the Duce's doing): how great can be measured by the toasts exchanged on Mr Chamberlain's first day in Rome. "The Anglo-Italian Agreement," said Signor Mussolini, "takes account of the new position in the Mediterranean and in Africa . . ."; and, in his reply, the British Prime Minister referred to a "new Italy, powerful and progressive," and drank to the honour of the King of Italy, Emperor of Ethiopia. These words do, indeed, mark the opening of a new phase, in which no one will want to go on harping over past differences; but if Mr Chamberlain wishes to act as the British people and Parliament would have him act, then he will find a means of bringing home to the Italian dictator the conviction that a gesture

must now be made on his side too. No settlement in the Mediterranean can be regarded as final or satisfactory from the British point of view while the policy of Rome is manifested by military intervention in Spain and that sort of diplomatic aggression against France which, apart from being aimed at our nearest ally, could at need be turned against ourselves. Assurances are no longer enough: we need some firmer proof of Italian friendship. If Mr Chamberlain's visit paves the way for such a proof, it will have been more than worth while. So far, no indication of its results can be gleaned, save perhaps from the notable reticence of Signor Mussolini's words, the unexpected brevity of the talks, and the fact that their progress was reported by Signor Mussolini to the German and Japanese Ambassadors. Mr Chamberlain's visit may, after all, be a miracle; but it does not yet look like one.

* * *

Farmers in Revolt.—Once again Ironsides are up in arms in East Anglia. The latter-day Independents are the farmers of Norfolk and Suffolk. In the by-election in East Norfolk they have chosen their own candidate to fight the candidate sponsored by the Conservative and Liberal National central organisations and personally backed by the Prime Minister and the Chancellor of the Exchequer. At a mass meeting on Tuesday last at Ipswich,

attended by over 5,000 farmers, landowners, business men and Members of Parliament, it was decided to form a united front to put pressure on the Government to alter their agricultural policy, and the threat was made by a large majority of those present that, unless farm prices were brought into a fairer relation to farm costs the farmers' organisations would definitely go into political opposition. A farmers' meeting at York has taken the same line. Further, the Suffolk farmers plan to march in protest on London on February 1st, 5,000 strong and accompanied by thousands more farmers from all parts of the country. In a sense, this furore in East Anglia is no more than a squabble within the Conservative ranks for the spoils of political power, and just another attempt by an organised interest, this time the National Farmers' Union, to win concessions from the Conservative leaders by blackmail. In East Norfolk, the Liberal National candidate relies on the argument that there is no feasible alternative to the present Government and that Labour and the N.F.U. would be impossible bedfellows. Yet, it would be unfair to pass over the clear fact that farm prices are now lower than they have been for two years, and that sheep, barley and beet in the Eastern counties have lately felt a depressing draught. Nor can it be denied that the remarkable and ill-suited collection of aids which the National Government has given to agriculture (and which the N.F.U. seem to regard with some ingratitude) is inefficient in its eleemosynary aims as well as unduly costly, because it is irrational and piecemeal. The Government have shown signs of bowing before the storm; they have promised to review their policy, and the N.F.U. are to meet the Minister of Agriculture to discuss price insurance schemes for a wide range of products. If the consequence of the East Anglian rising were to be what the Prime Minister described in his New Year Message as "a long-term, comprehensive and well-balanced agricultural policy," defence, public health and the national interest might be well served. But that desirable consummation is by no means indicated in the farmers' extremer claims.

* * *

The Hitler-Beck Conversations.—Colonel Beck did not see any member of the French Government when he was in France, but on his way back from the Riviera to Warsaw he visited Herr Hitler at Berchtesgaden on the 5th and Herr von Ribbentrop at Munich next day. The scope and outcome of these German-Polish conversations are more than usually obscure. One Polish version of one German version is that "there are no insuperable obstacles on the road of Polish-German co-operation," and that nothing emerged in the discussions to disturb those relations between the two countries that have existed since 1934. The possible issues between Poland and Germany extend over questions of both general policy and local detail. As far as details go, Colonel Beck may have shown himself accommodating towards German desire to Nazify Memel as completely as Danzig has been Nazified already, without the formal incorporation of either city in the Reich. He may even have entertained some suggestion for the construction of a German motor-road across the Polish Corridor between Pomerania and East Prussia, on the precedent of the road already conceded to Germany across the Czech corridor between Silesia and Austria. If Poland could really secure a final settlement of the Corridor question with Germany at this price, she would be buying security cheap. On the Polish side there are also suggestions that Germany may have consented to a revision of the frontiers of the Carpatho-Ukraine to the further disadvantage of that small but important member of the Czecho-Slovak Confederation; but all that is now known of German policy tells against the likelihood of any German concessions to Poland in the direction of establishing a common frontier between Poland and Hungary.

* * *

But all these local questions—even the Ukraine—are subordinate to the general question of the alignment of forces

in Europe and in the world. Herr Hitler wants the buffer states between Germany and the Soviet Union to leave the League of Nations and join the anti-Comintern front, and he is said to have suggested to Colonel Beck that Poland might conveniently take the lead in this move. The Poles are, perhaps, more likely to follow the negative than the positive part of this recommendation. If they lent themselves to German designs against the Soviet Union they would be almost as likely to see the post-war Greater Poland liquidated (like Greater Czechoslovakia) as they would be if they took sides with the Soviet Union against Germany. As between the two giants on either side of her, Poland will assuredly cling to her neutrality as long as she can; and her persistence in this policy (which is the only conceivable Polish substitute for collective security fortified by a French alliance) is indicated by the recent rapprochement between the Polish and Russian Governments. The Russians have just done the Poles the courtesy of reopening the Polish Church in Moscow; simultaneously, the Poles have deprived some thousands of Polish Jews, resident in Germany, of their Polish passports before the Germans have had time to deport them; and this is a Polish rebuff to Germany. So Poland still oscillates precariously in the ever-narrowing space between the upper and the nether millstone.

* * *

The Czecho-Hungarian Affray.—The last few days have witnessed two bursts of local fighting on the Czecho-Hungarian (or, rather, the Ukraino-Hungarian) frontier as this was re-drawn in the joint Italo-German award of Vienna. In the small hours of the morning of January 6th the outskirts of the town of Munkacs, which the award has transferred from Czecho-Slovakia to Hungary, were attacked by Czecho-Slovak forces, and it seems to be beyond doubt that the fighting took place in what has now again become Hungarian territory, though it is uncertain whether the local Czech offensive was or was not provoked. On the 7th there was another clash at a frontier post near Ungvar. At one moment there was talk of a Hungarian ultimatum; but the Hungarians afterwards agreed to a Czecho-Slovak proposal for a joint investigation, and it has now been arranged between the Hungarian and Czecho-Slovak military representatives that a neutral zone shall be set up in the hope of preventing a recurrence of such incidents. In the present tense and menacing state of Europe there was at first some fear that the fighting might have been instigated from some greater capital than either Prague or Budapest, as the first move in some wider and more dangerous power-game. It now looks, however, as though the two incidents genuinely originated in the indiscretion of local commanders, with nothing more sinister in the background. The Germans have frowned upon Czechs and Hungarians alike for falling into a conflict which might seem to call in question the finality of the Vienna award. And though we still cannot be sure that somebody may not deliberately drop a spark into the powder magazine, it already seems reasonably clear that these alarming events on the Ukraino-Hungarian border were not, after all, the lighting of the fatal train. If M. Imredy has his way the spark will not come, as it has threatened to do, from fanatical Hungarian nationalists. This week he has initiated (following King Carol) a "Hungarian Life Movement," whose immediate aim is clearly to absorb and silence these fanatics; and in the end, perhaps, to develop into a major Parliamentary party.

* * *

The New Government in Japan.—The resignation of Prince Konoe's Government on the 4th, which we recorded last week, has been followed by the formation of a new Cabinet headed by Baron Hironuma. The change is in part no more than a reshuffle, since six out of eleven of Prince Konoe's former Ministers are still in office; the two significant changes are in the Premiership and in the Ministry of Finance. Baron Hironuma—an old man who seems to have nothing but his chauvinism to set off against his tale of years—is a poor substitute for his predecessor,

and the new Finance Minister, Mr Ishiwatari, is no substitute at all for Mr Ikeda; for, though he is reported to be a competent civil servant, it would appear that he has neither the character nor the prestige to carry out a policy of his own in his department. Indeed, the merit of the new Cabinet, in the eyes of its military makers, is, no doubt, its docility. Its business is to provide the Army with the necessary civilian assistance for pursuing its totalitarian war aims in China, and to find, somehow or other, the immediate ways and means, even at a risk of placing in jeopardy the whole future of the Japanese national economy. At the same time, even Baron Hironuma is showing a reluctance to break completely either with a sense of realities or with a show of constitutional propriety. He has not openly set aside the Parliamentary parties, and in his inaugural statement to the public he has admitted the gravity of the position in which Japan now finds herself. One is reminded of the political atmosphere in Germany under the shadow Chancellors of the latter years of the war of 1914-18. Japan to-day is still an old-fashioned military State of the pre-war Prussian and Russian kind. It remains to be seen whether she will be able to extricate herself from her vast Chinese adventure without falling into a post-war totalitarianism of either the Russian or the Prussian variety.

* * *

The War Minister Protests.—Mr Hore-Belisha is no believer in the maxim "never explain, never apologise." In the House of Commons, after the September crisis, he testified with all the fervour of a converted sinner to the defects disclosed by the emergency in his sector of Home Defence. When he came back a week ago from a much-photographed holiday, he faced his critics again, this time with confidence in his righteousness. In an impressive speech at Devonport, he outlined his nineteen months' record at the War Office: when he took over, the rate of recruiting for the Army threatened a shortage of 40,000 men on the establishment by March, 1939; in the event, the shortage will be less than 20,000. The position and prospects of every officer and man have been improved by far-reaching reforms; the formation and units of the Regular Army, 30 years old when Mr Hore-Belisha took office, have been radically overhauled to suit modern and mechanical uses, and the Territorial Army has been similarly adapted. On the question of anti-aircraft personnel and artillery, the War Minister claimed that their full complement was now in sight, and, significantly, he emphasised that to obtain supplies on a war-scale under the conditions of a voluntary and peace-time economy was not easy. Mr Hore-Belisha may perhaps be blamed for painting the defence picture too brightly in the past; he is uncommonly apprehensive of the damage undue pessimism may do and excessively blind to the dangers of optimism which is subsequently disproved. But more than once he has frankly pointed

the obvious moral that, without some special organisation of supplies and output such as a Ministry of Munitions gives in war-time, swift re-armament is an obdurate task; and it is hard to see why he has become the special target of criticism. On the information available to the public—even after mere "publicity" has been discounted—he would appear one of the most energetic and effective of Ministers. But his drastic reforms have clearly ruffled many susceptibilities; and, it must be said, the feast of unreason which is anti-Semitism is not without its celebrations even in England. On these two grounds alone, the good faith of the whispering campaign against the War Minister must be strongly suspect.

* * *

Aid for Shipping.—If there is any industry which can rightly be supported out of public funds, it is shipping. The justification is two-fold: on the one hand, no industry is more vital to the existence of the nation in time of war; and on the other hand, no industry can make out a more complete proof of the unfairness of the subsidised competition it has to face. British shipping, after a brief period of comparative prosperity in 1937, is now back in the doldrums and the Chamber of Shipping have this week published the proposals for assistance which they have drawn up on the Government's invitation. They are startling in their scope and size:—

For Deep Sea Tramps the restoration of the subsidy is proposed, in the enhanced amount of £2,500,000 a year for a minimum of five years.

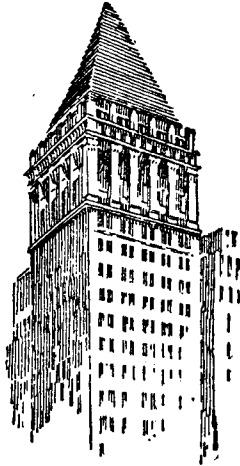
Deep Sea and Near Trades Liners. It is suggested that £5 millions a year should be voted by Parliament for five years for a Liner Defence Fund. This, it is stated, would be distinct from a subsidy, though the distinction is not clearly drawn in the proposals. The Fund would be administered by the Treasury on the advice of an independent Commission, who would also be competent to propose other than financial measures.

Near Continental Trades. It is proposed that the Government insist on a greater proportion of timber imports from Russia being carried in British ships. The greater employment of British shipping in the timber trade from other countries and in the coal export trade is also recommended (the comment may be made that it is questionable how far Great Britain can dictate the nationality of the ships that carry her exports, whatever she may do about imports). Finally, a subsidy of £500,000 per annum is requested for this category.

Coasting Tramps. A further subsidy of £500,000 a year is suggested here, together with Government action to ensure fair terms of competition both with the railways and with foreign coasting vessels.

Coasting Liners. This section also stresses the necessity of protection against intensified railway competition and requests a subsidy of undefined amount.

Tankers. No proposals are made here pending discussions with the Government, but mention of the need for "financial incentives" seems to foreshadow another subsidy.



BANKERS TRUST COMPANY

NEW YORK

Complete banking facilities

London Office:
26 OLD BROAD STREET, E.C.2.

Incorporated with limited liability in the U.S.A.

The total amount of financial assistance requested is thus at least £8,500,000 a year, and almost certainly more, in addition to the use by the State on behalf of the industry of the bargaining power that our enormous imports bestow. The proposals will need very careful examination both by the Government and by the public and they will receive more detailed treatment in a subsequent issue of *The Economist*. But this preliminary comment may be made: when a sick industry is invited by the Government to write its own prescription and counters with a request for nearly £10 millions a year of the public's money, it is only natural to express doubts about the efficacy of the method adopted. For no industry, however sincere, is likely to under-rate the extent of the assistance it requires and an independent assessment of needs will sooner or later be required. For the Government to have undertaken the initiative from the start and to have appointed an independent body to investigate, take evidence and prepare proposals would have involved a larger draught upon Governmental decision (a commodity that seems to be very scarce in Whitehall to-day), but it would certainly have saved time and might well save money.

* * *

Refugees.—The better part of a year has gone by since the annexation of Austria served as a prelude to a fresh threat to the property and citizenship of over half a million German Jews; and no practical plan has yet been devised by the nations who avow sympathy for the victims of Nazi persecution to finance the growing exodus and to find new homes for the fugitives. Germany's present economic difficulties have caused the speeding up of the policy of despoil and expel, and this week Mr George Rublee, Director of the London office of the Evian Conference on Refugees, has gone to Berlin to discuss ways and means of solving the problem in concert with the persecuting Government. *Faute de mieux*, Dr Schacht's recent proposal that an orderly dispersal of the emigrants should be financed by a loan of £500 millions raised by Jews outside Germany and covered by extra German exports admitted by other countries under special facilities, is to be the basis for negotiation; and there is a grave risk that, since the plan is unacceptable in principle and in detail, even its discussion may encourage the Germans to intensify their pressure. It is rumoured that, in due accord with the familiar policy of blackmail, the Reich may promise to suspend anti-Semitic measures for a time if this scheme, which has obvious economic advantages for Germany and corresponding disadvantages for her trade competitors, is accepted. It seems unlikely that the nations will consent to reward the Germans for their rapacity; yet it is undeniable, first, that the Reich ought to play an important part in tackling the problem created by Nazi policy, and, secondly, that so long as Germany's economic straits

persist, so long will her minorities be exposed to desperate persecution. Meanwhile, the Lord Baldwin Fund for Refugees is nearing the £400,000 mark; and some decision of the Powers on the character and sites of refugee settlement is imperative. Half the potential refugees from Germany are too old to settle easily; and openings for agricultural settlement are shrinking and precarious, while urban settlement is less costly and economically more defensible. The Amur Basin, British Guiana, Tanganyika, Kenya, Northern Rhodesia, Malaya, Borneo, Madagascar, Cyprus and Uruguay have been mentioned as possible refuges. In most of these there is, or could be, a market for cheap consumption goods; and the time is ripe to translate world sympathy into planned world action, in the light of the economic facts of the case—before the half-million German Jews are swamped by the five million Jews from other troubled European lands.

* * *

Australian Aircraft Production.—A further step has been taken to enlist the industrial capacity of the Dominions in the military defence of the British Commonwealth. A strong mission, headed by Sir Hardman Lever and consisting of Colonel Sir Donald Banks and Air-Marshal Sir Arthur Longmore, is to leave shortly for Australia to examine, in consultation with the Australian Government, the possibility of enlarging the Dominion's capacity for aircraft production. The mission, which is to prepare a scheme for consideration by the United Kingdom and Australian Governments, is being sent at the latter's request. Australia at present possesses a single factory turning out military aircraft, these being of an American type. Since its output is inadequate for all the requirements of the Australian Air Force, the first question before the mission will be whether Australia can attain or approach self-sufficiency in this vital material of war. For even if communications with Great Britain (or alternatively with Canada and the United States) could be kept open in time of war, Australia might well find those countries' productive capacity wholly pledged to their own needs. But beyond the question of self-reliance looms another: is Australia in a position to contribute through her capacity for manufacturing aircraft to the defence of zones beyond her shores, on whose security her own depends—Singapore and the Suez Canal area? In the event of a world war this reinforcement of munition supplies might be the most effective and valuable aid that the overseas Dominions could give, at least in the early phases, to their more vulnerable fellow-members of the British Commonwealth.

* * *

New Zealand's Imports.—The gradual unfolding of the new policy of import restriction adopted by the New Zealand Government is posing some pretty problems in the ethics of international commercial relations. The first reports of the goods for which import licences are to be refused show that quite a number of British products are affected. Boots and shoes and artificers' tools are the most important items on the prohibited list, and steel products and electrical goods are to be severely restricted. There is also a long list of goods from other countries whose import is to be prohibited, the United States, Australia, Canada and Czecho-Slovakia being the chief sufferers. There is very little doubt that the financial difficulties in which the Dominion now finds itself are the direct result of the prodigal policies of the Labour Government. But other countries, in the past, have had financial crises as the result of Labour policies and have imposed import restrictions without the objection—indeed with the enthusiastic support—of British manufacturers. New Zealand is thus not to be singled out for condemnation on that score. The convention of these matters is, in general, that a country can restrict its imports as much as it wishes without giving any other country the right to protest, so long as it restricts all imports equitably and does not discriminate against any of its suppliers. New Zealand appears to be restricting other countries' goods

at least as severely as the produce of the United Kingdom; once again we have no ground for complaint. But at Ottawa, New Zealand, together with the other Dominions, signed an undertaking in general terms to give British manufactures the opportunity of competition on equal terms with the products of her own domestic secondary industries. The new regulations would certainly seem to infringe the spirit if not the letter of this undertaking. But even then, New Zealand has consistently been, and even now will remain, a better field, relative to its size, for British manufactures than most of the other Dominions. It is a little inconsistent to mete out to the first offender rebukes far more severe than any that are addressed to the hardened sinners. In last week's *Economist* the Director of the Federation of British Industries disclaimed any political motive behind the unusually violent protests that his organisation is making against the actions of the New Zealand Government. His assurance is gratifying. But it is still difficult to see why, in a very foolish world, this particular New Zealand piece of foolishness should receive more than routine reprobation.

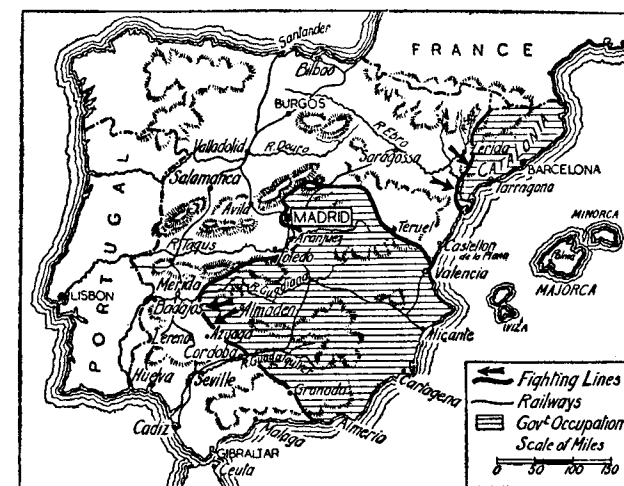
* * *

Palestine, the British Army, and "Atrocities."—The War Office has issued a statement this week describing the situation in Palestine and the measures taken by the British Army to deal with it. By implication the statement provides a denial of charges made in Germany and, at one time, in Italy, that the Army and the police have committed "atrocities" or connived at a "reign of terror." But it is clear that the War Office's action is inspired more by a wish to explain the measures of collective punishment—fines, demolitions, curfews—made necessary by the present state of Palestine, to a British public anxious to comprehend the very real difficulties which exist, than to refute charges which are as malicious as they are unfounded in fact. There is no need to refute such charges. The public trial and sentence of four British police constables for the manslaughter of an Arab in Jaffa, full details of which were available in Thursday's papers, must be one of the very few cases on record, in any country, of retribution being exacted for the shooting of a prisoner "while attempting to escape," and it is sufficient evidence that the British Administration has nothing to fear from publicity: nobody in this country, and few outside it, believed for a moment that they had. The fact that the charges come from a country in which no man is safe from summary imprisonment, or worse, without formality or trial or even proved offence, in which, as all the world knows, unoffending citizens have lately undergone more bodily and mental suffering than has been seen for long decades in Europe under peace conditions, is enough to set us at our ease. What the German newspapers say of the British administration in Palestine is important only as a guide to the minds of those who rule Germany; and in as much as they set out to rebuke, they do it only to themselves.

* * *

Two Battles in Spain.—The main feature of this week's fighting, in which General Franco continued to make important gains in Catalonia, was an offensive by the Army of the Levante under General Miaja into Estremadura. As with the Ebro counter-offensive last July, the Insurgents were taken by surprise and rolled back in a deep salient before they were able to make serious resistance, and by that time the Republicans were only a few miles from the Seville-Salamanca railway. From there they could cut off, or at least seriously dislocate, communications between General Queipo de Llano and G.H.Q. at Burgos. That is their long-range objective: for the moment they are content to play on General Franco's well-known cautious ways by forcing him to draw off guns, aeroplanes, and possibly men, from the northern push. The question is whether this will be enough to stop the advance in Catalonia; present reports suggest that it will not. And if the Insurgents take Tarragona, can they be prevented from taking Barcelona?

And if Barcelona falls, can the southern provinces hold out? The outlook is dark for the Republicans, but not, perhaps, entirely black. With good luck they may halt the Insurgent advance short of the coast, or pin it down at



Tarragona; while General Miaja may be able to put a dent in the southern front deep enough to demand a big effort from Burgos. And in any case the Republicans may congratulate themselves on having upset Signor Mussolini's Roman timetable.

* * *

The Defence of the Aland Islands.—*The Economist* of September 17, 1938, recorded the reopening between Finland and Sweden of the question of the status of the Aland Islands, as this had been determined by the international convention of 1921. The Aland Islands lie in the Baltic, across the mouth of the Gulf of Bothnia, between Sweden and Finland. They are nearer to the Swedish than to the Finnish coast, and their inhabitants are Swedish-speaking; but Finland inherited the sovereignty over them from Czarist Russia, who took them from Sweden, when she took Finland itself, in 1809. After the break-up of the Russian Empire the islanders wanted to return to Sweden, but Finland's title to sovereignty was upheld by an international award, and the question was settled—with some heart-searching on the Swedish side—by an agreement confirming Finnish sovereignty subject to the islands being neutralised, demilitarised, and granted political and cultural autonomy. As between the islands, Finland and Sweden this settlement was, and is, the best that could have been devised; but a demilitarisation that in 1921 gave Sweden military security and the islanders

CHRISTIANIA BANK OG KREDITKASSE OSLO

Established 1848

Paid-up Capital and Reserve Funds,
Kr.40.000.000.—.

Oldest Norwegian Private Joint Stock Bank.
Direct correspondents throughout the country.
Offering complete services to banks and firms
doing business on Norway.

Correspondence invited

WILLS & TRUSTS

In acting as an executor or trustee, the Westminster Bank aims at putting itself in the position of a private trustee. It is therefore its practice to employ the family solicitor, if there is one, or any other solicitor the client may name; by such means the Bank succeeds in combining domestic tradition with business efficiency. A book showing the advantages of corporate executorship and the terms of appointment may be had at any branch

WESTMINSTER BANK LIMITED
Trustee Dept., 53 Threadneedle Street, E.C.2
Also in Piccadilly, Bristol, Liverpool, and Manchester

exemption from military burdens is no longer in the interests of any of the parties directly concerned in times when defencelessness is a sheer invitation to an aggressor. If the German Navy were to swoop down upon the Aland Islands, Germany would be thenceforth the undisputed mistress of the Baltic. Accordingly, the Finnish and Swedish Governments have now agreed to recommend to the other parties to the convention of 1921 that Finland shall be allowed to take defensive military measures in the southernmost part of the neutral zone, and that the islanders shall become subject to conscription. It has been agreed that the Alander troops shall be commanded by their own officers, and that the words of command shall be in Swedish; and the conscription Bill will have to be passed by the local parliament as well as by the Finnish Diet. It remains to be seen what line will be taken by the other signatories to the 1921 Convention. These include all the coastal States of the Baltic except the Soviet Union, and also Great Britain, France and Italy. What, in particular, will Germany say?

* * *

Official Secrets.—On December 19th the Home Secretary received a deputation from the National Union of Journalists, the National Council for Civil Liberties and other bodies, who demanded amendment of the Official Secrets Acts in order to prevent their use in restraint of the legitimate activities of politicians, authors, journalists,

printers, publishers and citizens in general. Sir Samuel Hoare has promised to proceed with such changes if they can be proved feasible; and this week the December deputation submitted a memorandum elaborating this case for reform. The case seems clear. The Acts were intended to cover only information the disclosure of which might be prejudicial to the safety of the State; power is accordingly given (in the 1920 Act) to require persons in certain circumstances to give on demand information relating to a suspected offence on pain of prosecution. Outside of cases where *raison d'état* must necessarily override all other considerations, this marked departure from the traditions of British justice is "a gross interference with the liberty of the subject and the right of the subject to refuse to answer questions of an incriminating character." The right of search in the 1911 Act, too, ought reasonably to be applicable only to exceptional cases where the safety of the State is endangered. It should surely not pass the wit of the Home Office and the Government lawyers to draft amendments which would confine the operation of the Acts to the cases of espionage and similar offences to deal with which they were contrived. It is not enough for the Home Secretary to promise that the Acts will, in executive fact, be confined to official secrets as they are generally and properly understood. Repeatedly they have been interpreted to comprehend information which had no military or State significance whatsoever, and so long as their scope remains vague and comprehensive the ordinary process of political discussion and news-gathering will be hobbled by fears of dire consequences.

Overseas Correspondence

From Our Special Correspondents

United States

Building and Business Revival

NEW YORK, January 1.—For November, the production index of the Federal Reserve Board was 103. Changes in industrial activity in December were small, and largely seasonal, so that the December figures will not be greatly different. The recovery in this index since June, when it was 77, is a full 33 per cent.

The outstanding feature is the doubling of non-residential building contracts. This is primarily evidence of the spending programme. While contracts of this sort are translated only gradually into actual industrial activity, they are probably by now a considerable effective influence. If the employment figures are used to measure industrial activity, it will be noted that, even in June, the non-durable goods industries were relatively lightly depressed; that they recovered sharply in July; and, since then, have made little headway.

BUSINESS INDICES (1923-25 = 100: Adjusted for Seasonal)				
	Nov., 1937	Oct., 1938	Nov., 1938	Nov., 1938
Industrial production (total) ...	88	96	103	
Manufactures	85	95	103	
Minerals	109	99	103	
Construction contracts (total)...	56	82	89	
Residential	32	57	57	
All other	76	102	117	
Factory employment	100.6	87.5	90.1	
Durable goods	99.8	79.1	81.3	
Non-durable goods	101.3	99.3	98.5	
Factory payrolls	92.9	83.9	84.1	
Durable goods	94.8	75.4	78.3	
Non-durable goods	90.8	93.5	90.6	
Freight car loadings (total)	71	68	69	
Of which, miscellaneous	76	72	74	
Department store sales	91	84	89	
Department store stocks	75	67	67	
* Preliminary				

The following table traces the movement of various indices since June:—

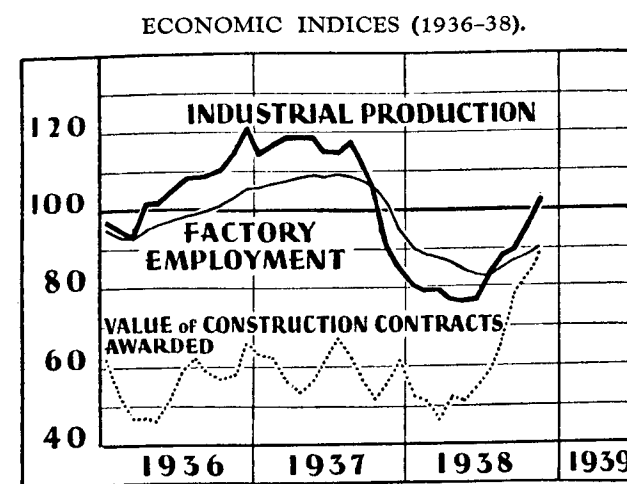
	Production	Construction		Employment		Dept. Store Sales
		Residential	Other	Durable Goods	Non-Durable Goods	
1938—						
June	77	42	64	65	88	82
July	83	49	68	71	95	83
August	88	53	77	72	97	83
September	90	56	96	76	98	86
October	96	57	102	78	97	84
November	103	54	117	81	99	89

The Influence of Steel and Motors

The real gain in employment has been in the durable goods industries, where the percentage increase (25) is comparatively little less than that of the production index as a whole. This gain has been largely concentrated in two industries—automobiles and steel. Steel has been a direct beneficiary of the Spending Programme, and of the automobile industry's revival; and the busier output of automobiles has been seasonal. That is, the first three months of an automobile year are largely devoted to stocking dealers with new models. The real test of public demand comes

later. As a matter of record, however, the public demand for the 1939 models is said to be very good.

These data suggest that the recovery so far has not been a general advance on a broad economic front, so much as a number of particular and sharp thrusts—steel, automobiles,



and building, especially Government projects. This view is supported by reference to the index of payrolls, which is more broadly based than the index of production. Payrolls rose from 67 in June to 84 in November, or almost 25 per cent.—about the same as the employment index, but a little less than the production index.

The inference seems justified that the production index, or the index of manufactures, has somewhat exaggerated the extent of the recovery, owing to the heavy influence of the steel and automobile industries, which have led the movement. This consideration helps to explain the generally rather tepid character of oral business comment. While most industrialists have felt a marked betterment in their own businesses since June, the extent of the improvement scarcely seems as great as might be expected from the statistics.

A comparison between the indices for last November and the figures recorded in June, 1936, is interesting. June, 1936, saw the recovery, after the depression of the early thirties, reach (in terms of the production index) the figure of 104—almost identical with the figure for November, 1938. The following table compares a number of the indices at the two dates:—

	June 1936	Nov., 1938
Industrial production (total)	104	103
Manufactures	105	103
Minerals	100	102
Construction contracts (total)	52	89
Residential	36	54
All other	65	117
Factory employment	97	90.1
Factory payrolls	84	84.1
Freight car loadings	73	69
Department store sales	87	89

They are two sharp contrasts. Building is playing a larger part in the current cycle than in 1936; and building is not only the beneficiary of the Spending Programme, but also of the Federal Housing Administration. Equally striking is the fact that payrolls are now the same as in June, 1936, but employment is materially lower.

More Recovery to Come?

As the New Year opens, therefore, comments on the outlook take the form of questions rather than statements and reflect an appreciable diversity of opinion. Optimists recognise that the recovery to date has been rather limited in impact, but expect to see it broaden out soon and become more comprehensive. They hold that automobiles and building are "cyclical leaders," and that in a recovery six months or more the leaders can be expected to show marked gain. This opinion is widely enough held to have developed its distinctive *cliché*—the term used to describe the broadening of the recovery is "fanning out"—a self-descriptive phrase, not to be confused with the baseball term of diametrically opposite meaning.

The pessimists' opinion, on the other hand, is that the movement that started last June is essentially unsubstantial; that it was stimulated by a number of economic "shots in the air"; that the sweeping advance of the cyclical leaders

is not representative of any fundamental vigour or even vitality in the economy; that the movement will not "fan out"; but that the industries that have rushed forward will presently fall back into closer alignment with the more sluggish path of the economy.

Both these views start from a common premise—that the recovery to date has been a curiously lopsided and limping sort of affair. It would be only a little exaggerated to say that half our economy is in a boom and half of it in a depression. The average opinion is a compromise. That is, there is a general recognition that the upturn of the cycle in mid-year was less an assertion of "natural force of recovery" than of powerful stimulants applied by the Government—such as the Spending Programme, the monetisation of the Inactive Gold Fund, and the reform of the tax laws. It is recognised that stimulants, however effective as initiating forces, from their very character lack sustaining motive power; and it is considered that the effect of last spring's stimulants has now been largely felt.

A good many people believe that the initial thrust of recovery has spent its force, but practically no one believes that the forces of recovery are in fact exhausted. The result is that there is a disposition to look for little marked change in the economy, either for better or worse, in the immediate future. When economic opinion reaches a stalemate of this sort, it always turns political. The proximate economic future having been disposed of with a barometric reading of "steady to unchanged," attention is now focused on the opening of the 76th Congress.

France

M. Daladier's Backing

PARIS, January 12.—On September 30th came the Munich Agreement; on November 30th the fiasco of the general strike; and on December 30th the enthusiastic "plebiscite" for France in Corsica and Tunisia. M. Daladier's return from his tour was applauded like his homecoming from Munich three months ago; but the gratitude expressed was evoked by rather different sentiments. This time the Prime Minister had spoken strong words as the nation expected him to, and the country's wish for some restoration of the dignity and prestige shaken by the Munich blow was satisfied.

Parliament now resumes its work, and the question of the day is: where is M. Daladier's majority? Actually, his majority is to be found less in Parliament than in the country, though Parliament, faithful though it always is to old controversies, can scarcely ignore the Prime Minister's public popularity without becoming itself unpopular.

M. Reynaud, the Minister of Finance, on the other hand, has to face critics of two kinds. First, there are his enemies, who reproach him for the taxes he has imposed; and then there are his friends who argue that a "boom" on the Stock Exchange is much easier to bring about than a genuine business revival. In actual fact, business is still improving as the current statistics for heavy industry, the motor trade and retail sales show.

The point is that this country is unfamiliar with the nervous ups and downs of the great industrial countries. It is a farmer and middle class country, a country of moderate unemployment and moderate luxury industries, a country

THE COMMERCIAL BANK OF SCOTLAND LIMITED

Incorporated by Royal Charter and Act of Parliament

PAID-UP CAPITAL . . . £2,250,000

RESERVE FUND . . . £3,150,000

ESTABLISHED 1810

Guaranty Trust Company of New York

Incorporated with limited liability in the State of New York

32 Lombard Street, E.C.3

50 Pall Mall, S.W.1 Bush House, Aldwych, W.C.2

27 Cotton Exchange Buildings, Liverpool

CAPITAL & SURPLUS.....\$260,000,000

NEW YORK PARIS BRUSSELS HAVRE ANTWERP

with a low birth-rate and large savings—a country, in short, which could not (even if it wished to do so) suddenly push its production to the British or German level. These facts explain why the idea of an Imperial economy to furnish France with the soldiers and raw materials it needs gains new supporters every day.

The idea of Empire is making sensational progress, which is an unforeseen consequence of the Italian colonial claims. But there are practical problems to be solved. Will the French public administration find it possible to establish and foster fresh productive developments in the colonies? There is still no certainty of this, though the value of trade between France and her colonies is steadily expanding.

Improved Trade and Revenue

The figures of foreign trade in 1938 show important movements compared with those of 1937, as the following table shows:—

Imports	1937	1938	Increase (+) or Decrease (—)	
			Increase (+) or Decrease (—) in value (in thousands of francs)	
Foodstuffs	10.7	12.4	+1.7	21
Raw materials	25.1	26.7	+1.6	9,911
Manufactured goods ...	6.4	6.6	+ 2	317
Totals	42.3	45.9	+3.5	10,249
Exports	1937	1938	Increase (+) or Decrease (—)	
			Increase (+) or Decrease (—) in value (in thousands of francs)	
Foodstuffs	3.3	4.3	+1.0	218
Raw materials	8.4	9.9	+1.4	3,606
Manufactured goods ...	12.1	16.3	+4.2	6
Totals	23.9	30.5	+6.6	3,382

The import surplus has fallen from 18,452 million francs in 1937 to 15,396 millions in 1938; and, of this decrease, 11,300 millions came in trade with foreign countries and 4,000 millions in trade with the colonies. Expressed in gold francs, the import surplus was 7,000 million francs in 1936, 9,000 millions in 1937 and 5,000 millions in 1938.

Imports have risen in value by only 3,500 million francs while exports rose by 6,600 millions. The volume of imports from the colonies was unchanged; and the volume of imports from foreign countries was markedly affected by the decline in coal imports from 37 million tons to 30 millions.

The volume of exports to the colonies was also unchanged. While some exports to foreign countries have fallen off, notably iron ore, many others have increased, principally manufactured goods. The figures show that exports were maintained while imports only fell to their normal level after the speculative buying which characterised the devaluation period. These are encouraging results, and trade should be further improved by the latest decrees of the Government, especially those which increase working hours and furnish credit facilities for producers.

Revenue receipts in November amounted to 4,958 million francs of which 4,550 millions were ordinary receipts. The month's receipts were 214 millions higher than the revised estimates which had not been reached in the four preceding months; and total revenue for eleven months of 1938 was now nearly 46,000 million francs, or 8,500 millions more than in the same months of 1937. Indirect taxes have fallen 500 millions below the estimates but they are 6,700 millions higher than the actual receipts of 1937. This favourable trend coupled with an improvement in production should afford timely support to the Stock Exchange, the confidence of which has been rather shaken lately by gloomy forecasts about coming foreign events.

BANK OF MONTREAL

(Incorporated in Canada in 1817 with Limited Liability)

Financial Agents of the Government of the Dominion of Canada in London

CAPITAL PAID-UP ... \$36,000,000

REST AND UNDIVIDED PROFITS \$40,183,254

TOTAL ASSETS IN EXCESS OF \$850,000,000

Head Office: MONTREAL

Sir Charles Gordon, G.B.E., President.

H. R. Drummond, Esq., Major-General The Hon. S. C. Mewburn, C.M.G., W. A. Bog, Esq., Vice-Presidents. Jackson Dodds, G. W. Spinnay, Gen. Managers.

LONDON COMMITTEE: The Most Honourable The Marquess of Willingdon, P.C., G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman), F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B., Sir Frederick Williams-Taylor.

London Offices: 47 Threadneedle Street, E.C.2 (Edward Pope, Manager) 9 Waterloo Place, Pall Mall, S.W.1 (J. H. Pangman, Manager)

The Bank undertakes banking business in all parts of the world, and with its numerous branches offers special facilities in Canada, Newfoundland and the United States

Increased Output

The Statistique Générale de la France has published its monthly figures of industrial production in France; and they run as follows:—

(1928 = 100)	Nov., 1937	Sept., 1938	Oct., 1938	Nov., 1938
Index for eight groups (Groups Nos. IV and V excluded) ...	92	79	80	86
I. Mines	100	90	93	99
II. Chemical industries	103	98	94	103
III. Paper	189	157	157	171
VI. Iron and steel	90	61	66	74
VII. Engineering	89	70	72	79
Automobile	85	99	99	110
VIII. Building	58	62	62	62
IX. Gas and electricity	130	123	124	125
X. Miscellaneous	111	101	...	...

In the motor industry, 16,505 vehicles were put on the road in November compared with 13,892 in October and 11,246 in September. The figures for the cotton industry were as follows:—

	Aug. 1938	Sept.	Oct.	Nov.
Spinning (averages per spindle in kilograms):—				
Production	1,158	1,846	1,917	2,040
Deliveries	1,118	1,968	1,917	2,092
Stocks	2,178	2,114	2,168	2,136
Unfulfilled orders	5,591	5,612	6,427	6,842
Weaving (averages per loom in pieces of 100 metres):—				
Production	2.83	4.53	4.53	4.69
Deliveries	3.16	4.47	4.67	4.69
Stocks	8.32	8.72	8.34	8.46
Unfulfilled orders	15.79	15.30	16.17	17.64

Prices are still rising, the advance being most marked in the case of domestic products and foodstuffs:—

Prices	1937 Dec.	1938 Oct.	1938 Nov.	1939 Dec.	1939 Jan. 7
Wholesale prices (1914 = 100)					
General index.....	601	654	658	666	669
Domestic products	650	670	678	692	696
Imported products	515	626	623	620	620
Foodstuffs	615	635	637	648	652
Industrial products	591	670	678	682	685
Retail prices	676	727	739	754	...
(1914 = 100)					
Lighting and heating ...	114.0	123.2	123.4	127.6	...
(1914 = 100)					
Clothing (1930 = 100)...	100.6	100.7	102	102	...

The number of bankruptcies in December was 468, against 455 in November and 358 in October; and, in the week ended December 31st, the number of persons returned as unemployed was 404,730, against 387,832 in the previous week and 365,452 a year ago.

Germany

Mr Norman in Berlin

BERLIN, January 9.—Mr Montagu Norman, Governor of the Bank of England, spent a day in Berlin to return the recent visit of Dr Schacht, President of the Reichsbank, to London. Officially, Mr Norman's trip was purely private; actually, it is likely that his visit had some more positive purpose. It is reasonable to suppose that, as in London, the two bankers discussed Jewish migration, foreign trade, standstill and debt questions. The complete reserve which has been maintained in Berlin about these discussions suggests that no tangible result worth mentioning can be recorded.

In essentials, the views of the two bankers can differ very little and, in quarters in touch with the Reichsbank, it is reported that Mr Norman and Dr Schacht are agreed that some working business agreement between their two countries should be concluded, and that all outstanding questions should be settled, so far as political factors will permit. Questions of clearing and foreign debts will be discussed at a conference of Mr Norman, Dr Schacht and the Reichsbank directors. In Berlin, some people are afraid of the introduction of a compulsory clearing by the United States and even the possibility of a similar step by Britain. Any interruption of American-German trade, or any fresh

impediments to commerce with England and the Dominions, would involve Germany in very serious difficulties, in view of her need for raw materials and food. The present atmosphere has endangered the settlement of the question of a new international coal cartel; the course of Anglo-German industrial discussions about markets has been hampered; and it is doubtful whether the visit of Mr Rublee, of the Evian Committee, to Berlin is, at the moment, either opportune or likely to succeed.

The Institute for Business Research has submitted the foreign trade situation to a searching inquiry. It has reached the conclusions that the over-riding principle of policy should be to cover import requirements. It is clear from the way in which in recent years Germany has conscripted, to finance imports, gold stocks, foreign debts, and foreign securities, as well as the gold and exchange reserves of Austria and Sudetenland, how overwhelming is the extent to which imports depend on export outlets. The amount of the proceeds derived from exports depends on world business conditions, and the Business Institute emphasises that, in the present state of world and German trade, export development can no longer be left to private initiative, but must be determined by each State according to its national needs. The report concludes that, in the future still more than in the past, German foreign trade must be monopolised and brought under social control and it is urged that the advantages in price at present possessed by foreign competitors could not be met by the unaided efforts of individual German exporters.

Production, Investment and Finance

In 1938, production of capital goods in Germany increased about 10 per cent. and has now reached 3½ times that of 1932. Compared with 1928-29, it is about 40 per cent. higher. In consequence of the armament and building programmes, output has greatly increased, particularly in building, iron, metal, machinery and motor car industries. The output of capital goods in 1938 amounted to between Rm. 18 and Rm. 19 milliards, compared with Rm. 16 milliards in 1937 and Rs. 13.8 milliards in 1928.

Total investment in 1938 is estimated at Rm. 10.2 milliards compared with only Rm. 6.3 milliards in 1937. Of this, bank loans accounted for Rm. 8.1 milliards and public issues for Rm. 2.1 milliards. Long-term investment totalled Rm. 6.9 milliards; short-term investment Rm. 3.3 milliards. In this connection, the Institute of Business Research announces that the special bills issued by the Reich, for armament purposes, have now been withdrawn from the credit structure, and their place has been taken by Treasury delivery certificates and Reich loans. In fact, however, large sums of special bills are still to be found in the possession of the banks; and the Reichsbank has, to simplify the position, taken over the special bills and in exchange has placed what are called "block bills" (*Blockwechsel*) at the disposal of the banks. The block bill is, in effect, a certificate stating that, in respect of it, a certain volume of bills is lying in the Reichsbank or its subsidiaries; and, like the original special bill, the block bill can be rediscounted and negotiated. The block bill is shown by the banks in their stock of bills, which has, therefore, fallen only a little since the early part of 1938, when new issues of special bills ceased and were replaced by Treasury delivery certificates.

Of last year's investment, some three-quarters (compared with one-half in the previous year) was absorbed by Reich loans. For private business only Rm. 2.6 milliards were available. It follows that by far the greater part of industrial development must be financed out of industry's own resources.

Problems of Industry

The development of German industry in the last six years has been dominated by the enormous volume of work for the State, which now absorbs the greater part of industrial capacity. At the beginning, the stocks of raw materials imposed no limits on the increase of production, while the better employment of plant led to falling costs and increasing revenues. The index of production in 1938 (1928 = 100) was 125, against 107 in 1936 and 117 in 1937. The value of production, however, did not increase in the same proportion, as export prices are still considerably below the level of 1938 and costs of production have increased continuously in the last few years. Domestic prices rose until the autumn of 1937, when the fall of raw material prices on the world market and the declines in the prices of pulp goods, cement and fertilisers produced a certain weakness. But this slight fall has since been arrested.

	Gross Value of Production All Trades (In Rm. milliards)	Industry alone (1935 = 100)	Gross Value of Production of Industry (1935 = 100)
1935	59	44½	100
1936	67½	51½	116
1937	77½	60	135
1938	85-90	c. 70	155-160

(Figures of the Institute for Business Research)

The productivity of industry is extensively influenced by the level of wages. In the absence of complete statistics, this influence can only be estimated. According to the Statistical Bureau of the Reich (Statistisches Reichsamt), labour expenses of a number of companies selected for investigation rose from Rm. 2.7 milliards in 1932 to Rm. 5.1 milliards in 1936. According to the Institut für Konjunkturforschung, labour expenses rose by 110 per cent. from 1932 to 1937 and by a further 14 per cent. in 1938. The total of wages paid in industry (omitting small workshops) rose between 1932 and 1938 from Rm. 5.4 to 13.4 milliards. At the same time contributions to social services have steadily increased under the pressure of moral compulsion; they are estimated at from 8 to 10 per cent. of all labour costs.

The system adopted by the State to finance its needs has led to numerous tax increases, but, on the other hand, industry has been enabled by better profits and by the liquidation of inventories to repay bank credits and loan debts and consequently to reduce its interest payments.

	Interest Payments (1932 = 100)	Property Taxes (in % of turnover)	Interest Payments (in % of turnover)	Property Taxes (in % of turnover)	Other Taxes
1932	100	100	3.3	3.2	1.0
1935	44	166	0.9	3.3	1.6
1936	45	209	0.8	3.5	1.8
1937	30	327	0.4	4.7	2.2

The Institute for Business Research has calculated that taxes and interest will absorb about 9 per cent. of the turnover of industry in 1938-39, since the collection of taxes has been intensified, the corporation tax has been increased and allowances have been suspended.

Depreciation expenses are increasing, since industry is engaging in extensive new investment in plant, on account of the complete employment of existing plant, as well as to provide for the new forms of substitute production. On the other hand, the writing-off of depression losses has slackened.

	Depreciation of Plant (In percentage of turnover)	Other writing-off (In percentage of turnover)	Total
1932	3.2	6.9	10.1
1935	3.1	1.2	4.4
1936	5.3	2.1	7.5
1937	4.4	0.4	4.8

In 1938 the total may be from 4.1 to 4.2 per cent. of turnover.

Higher costs and taxes have been responsible for the fact that industrial profits have risen considerably less than might have been supposed from the rise in the turnover of industrial companies.

	Turnover (1935 = 100)	Profits per cent. of turnover	Profits as per cent. of turnover
1932	—	—	4.1*
1935	100	100	3.3
1936	119	111	3.1
1937	138	117	2.8

* Loss.

In 1938 turnover increased by about 18 per cent. but profits

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

OVER 500 BRANCHES IN

THE UNION OF SOUTH AFRICA

KENYA - TANGANYIKA - UGANDA - NYASALAND

NORTHERN & SOUTHERN RHODESIA - EGYPT

SUDAN - PALESTINE - PORTUGUESE EAST AFRICA

SOUTH-WEST AFRICA - BRITISH WEST AFRICA

BRITISH WEST INDIES - BRITISH GUIANA

GIBRALTAR - MALTA - CYPRUS - MAURITIUS

LONDON - LIVERPOOL - MANCHESTER - HAMBURG

AGENCY: NEW YORK

HEAD OFFICE:

54 LOMBARD STREET, LONDON, E.C.3

BARCLAYS BANK (CANADA)
MONTREAL & TORONTO

only by 3 per cent., so that the ratio will be no higher than 2.4 per cent.

As figures of industrial stocks do not exist, their volume can only be estimated. The Business Research Institute puts them in 1937 at Rm. 12½-13½ milliards, which would be equal to the level of 1928-29. This optimistic estimate stands in strange contrast to the various signs of shortage, although it must not be forgotten that considerable war reserves may well have been accumulated. German industry is especially short of iron and steel, wood and all imported materials. The domestic production of raw materials, however, has increased by 11 per cent.

Industrial Disorganisation

The enormous activities of the State and the priority given to exports have combined with limited capacity of production and lack of raw materials to produce a real struggle to secure the products of industry. The General Commissioner for the iron and steel industry has stated in a circular that high Government authorities are attempting to secure quicker deliveries from the engineering industry by issuing certificates of urgency, by telegrams, by threats that orders will be withdrawn and the like. Industrial firms are compelled to alter their plans of production, and as a result (according to the results of an investigation) materials sometimes take three or four times as long to be worked up. Some machines stand idle because bottlenecks have arisen in other departments. It has accordingly been decided that the Reichsstelle für Wirtschaftsausbau (State Office for the Development of Production) shall lay down production plans which are to be binding on the producer and his customer alike and can be modified only after permission has been granted.

Lack of Raw Materials

Germany imported about 500,000 tons of scrap metal in the first half of 1938. With the object of reducing these imports and economising foreign exchange, the leader of the Labour Front has ordered a complete collection of scrap in all business firms. It will be remembered that a similar collection was made from private families last year, in the course of which even the railings of parks and gardens were removed.

Architects have also been instructed not to provide mantel-pieces in future in order to save wood.

SAFETY FOR SAVINGS

In financial strength, the Temperance Permanent Building Society believes itself to occupy the premier position among Building Societies throughout the country. Reserves now represent nearly 19% of the combined share and deposit capital and are greatly in excess of those of any large Building Society with assets of £2,000,000 or over.

3½%

INCOME TAX PAID
equivalent to £4.16.6
per cent where Income
Tax is payable at 5/6 in
the £ is now offered on
Fully Paid Shares of £25
each and also on Subscribing
Shares of £25 each
(minimum subscription
4/- per month per share)

TEMPERANCE BUILDING SOCIETY

4, 6 & 8 LUDGATE HILL, LONDON E.C.4

Manager & Secretary: A. W. Betts, F.C.I.S.

Phone: CITY 2666 (3 Lines) Two Doors from St. Paul's Cathedral

TOTAL ASSETS EXCEED £6,000,000

Canada

Liberal Party Feud

OTTAWA, December 24.—The Ministry continues to be subjected to very strong pressure by domestic manufacturing interests, notably the textile companies, to denounce the existing trade treaties with Germany and Japan to prevent these two countries from securing, through most-favoured-nation treatment, the benefit of the tariff concessions recently accorded to the United States. The Nazi persecution of the Jews has aroused a substantial measure of public support for measures to check any additional inflow of German goods. So far the Government has refused to respond to this pressure.

Meanwhile the Ministry has now come to a state of open war with Mr Hepburn, the Liberal Premier of Ontario. Two Federal Ministers have alleged that Mr Hepburn and his ally, Mr Duplessis, the Union Nationale Premier of Quebec, have been engaged in a disgraceful conspiracy to oust Mr Mackenzie King, the Dominion Premier, from the leadership of the Liberal Party. Mr Hepburn has denied this. He cited cases of the hostile or apathetic attitude of Ottawa towards proposals for co-operation on the part of his Ministry, and said he was ready to take this issue of co-operation with Ottawa to the people. Mr Mackenzie King then issued a statement declaring that he agreed with everything that his two Ministers had said; that the restraint which he had exercised for a year and a half about the attitude of Mr Hepburn towards his Government must now be ended, because the latter had raised an issue involving the decencies of public life and national unity; and that he proposed to face it squarely after discussing it with his followers in the Federal Parliament.

Financial and Farming Difficulties

The Federal Government's Budget prospects are not improving. Revenue receipts in November reached a total of \$36,534,480, compared with \$40,573,587 in November, 1937, while total expenditure for the month was \$49,270,220, compared with \$47,556,318 twelve months before. In the first eight months of the current fiscal year total receipts were \$358½ millions, compared with \$360½ millions in the corresponding period of the previous financial year; and, in the same period, expenditure was \$335½ millions, compared with \$321½ millions. The position at the end of November was, therefore, roughly \$15½ millions worse than a year before. The deficit on the Canadian National Railway will be heavier at the end of the year. The reduction in relief expenditure in the West will be far more than offset by the cost of the wheat guarantee. And the outlook for a cheerful balance sheet at the end of the fiscal year is not rosy.

An important conference about wheat marketing problems has been held in Winnipeg under the auspices of the Government of Manitoba, and was attended by leading experts from both Canada and the United States. The spokesmen for the prairie provinces agreed that a disastrous collapse of their economy had only been averted by the Federal Government's guarantee of a minimum price of 80 cents per bushel (No. 1 Northern) for wheat. An enormous carry-over of wheat was likely at the end of the current crop year. Further curtailments of overseas markets were possible; and the immediate outlook for Western agriculture was very dark. The view was strongly expressed that, as long as the Eastern provinces insisted upon maintaining a policy of industrial protectionism, which increased the costs of production of the prairie grain-growers and rendered it more difficult for them to compete with the producers of other wheat-exporting countries, Easterners could scarcely criticise the price guarantee policy which, in the eyes of Westerners, only assures a bare living to farmers.

The year 1938 ends with Canadian business showing no improvement. The general level of activity is about the same as it was at the close of 1937. The general index of the Bureau of Statistics on December 17th was slightly above the figure for the corresponding date in 1937.

Week Ending	Car loadings	Wholesale Prices	Bank Clearings	General Index
December 18, 1937	71.8	82.8	90.0	104.9
December 3, 1938	66.6	73.4	90.6	106.1
December 10, 1938	68.3	73.3	79.2	104.6
December 17, 1938	65.5	73.4	82.0	104.5

The public has lately been making its postponed purchases of winter goods, and, as a result, retail business has picked up considerably, although the special Christmas trade has not been so large in volume as it was a year ago. There has been no serious decline in the national income, as there have been few reductions in wages, and it is estimated that the total amount of dividends which Canadian companies will have paid by the end of the year will be \$322½ millions—which is very little short of the figure recorded for 1937, \$323½ millions.

No Real Revival Yet

It is becoming clear, however, that hopes of a real revival of prosperity for basic industries in consequence of the new Canadian-American Treaty will not be realised until there is a recovery of prices. This in turn depends upon an enlargement of general export trade which can hardly be hoped for as long as the present acute international tension continues. The foreign trade returns for November were again disappointing:—

	November, 1937	October, 1938	November, 1938
	\$	\$	\$
Imports	80,640,504	63,908,940	63,303,669
Exports (domestic)	106,662,684	101,633,805	93,223,909

Activity in mining is well sustained. The asbestos industry, too, is faring particularly well, asbestos exports in November amounting to 30,012 tons, compared with 20,741 tons in November, 1937. Newsprint exports in November were 264,421 tons, the largest monthly volume for the year and roughly 19,000 tons above the output for the month. The demand for pulp wood is slow and new contract prices have been reduced by \$1 per cord.

The winter's logging operations are now under way. Prices are firm, and the volume of lumber exports is as large as a year ago; but the lumber mills on the Pacific Coast are only operating at about 75 per cent. of their capacity. Also on the Pacific Coast, however, the salmon pack has been good, amounting to 1,690,000 cases, or 12 per cent. more than a year ago. In the prairie provinces a substantial proportion of the wheat crop has now been marketed, and, as export demand has been disappointing, visible stocks of Canadian wheat have been piling up, until on December 16th they amounted to 170,668,970 bushels, compared with 60,349,518 bushels twelve months before.

Mixed Industrial Outlook

In manufacturing, conditions vary. Motor manufacturers have increased their scale of operations, and their orders are helping the iron and steel industries. The industries which cater for mining are still busy, and farm implement plants are more active than a year ago. But boot and shoe manufacturers and tanneries are facing seasonal slackness, and furniture factories are just holding their own.

In the textile field the usual autumn enlargement of operations in the hosiery, silk and knitting mills has been maintained, but other branches complain of insufficient orders. Flourmilling continues to fare better; domestic orders are good and export trade has improved.

The tariff changes consequent upon the new Canadian-American trade agreement come into provisional effect on January 1st. Many manufacturers fear that more intensive competition from the United States will hurt their business, although the elimination of the 3 per cent. import excise tax will not take place until Parliament actually repeals it. Exporters to the British market are suffering somewhat from the decline in sterling.



Established 1812

Head Office:
55 Wall Street
New York

Seventy-two
Offices in
twenty-five
Foreign
Countries

THE
NATIONAL CITY BANK
OF NEW YORK

London Offices:
117, Old Broad St.
11, Waterloo Place

City Bank Farmers
Trustee Co. Ltd.
11 Waterloo Place,
S.W.1

The National City Bank of New York

(Incorporated with limited liability under the National Bank Act of the United States of America)

Condensed Statement of Condition as of December 31, 1938

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS		
Cash and Due from Banks and Bankers	\$	531,718,844.27
Bullion Abroad or in Transit		6,490,724.61
United States Government Obligations (Direct or Fully Guaranteed) ..		668,795,810.07
Obligations of Other Federal Agencies		40,428,883.99
State and Municipal Securities		86,257,122.95
Other Securities		68,758,413.61
Loans, Discounts and Bankers' Acceptances		521,981,489.03
Customers' Liability for Acceptances		12,288,747.10
Stock in Federal Reserve Bank		3,705,000.00
Ownership of International Banking Corporation (Including Paris Office)		8,000,000.00
Bank Premises		46,556,997.28
Other Real Estate		757,883.12
Real Estate Loans and Securities		9,404,804.12
Items in Transit with Branches		2,956,756.08
Other Assets		1,081,163.58
Total		\$2,009,182,639.81
LIABILITIES		
Deposits	\$	1,835,286,500.36
Liability on Acceptances and Bills	\$34,485,834.01	
Less: Own Acceptances in Portfolio	10,026,957.06	24,458,876.95
Reserves for:		
Unearned Discount and Other Unearned Income		3,420,666.27
Interest, Taxes, Other Accrued Expenses, etc.		5,361,656.55
Dividend		3,100,000.00
Capital	\$77,500,000.00	
Surplus	46,500,000.00	
Undivided Profits	13,554,939.68	137,554,939.68
Total		\$2,009,182,639.81

Figures of Foreign Branches are as of December 24, 1938.

\$44,468,617.25 of United States Government Obligations and \$27,719,950.78 of other securities are deposited to secure \$48,317,828.43 of Public and Trust Deposits and for other purposes required by law.

Letters to the Editor

Decentralisation

TO THE EDITOR OF THE ECONOMIST

SIR,—The recent crisis has again turned our attention to the consequences of the impractical size of many of our towns. More and more people are coming to realise that London and other great cities are too large, and that their continued growth is making almost insoluble their problems of overcrowding, traffic congestion and inadequacy of open spaces. For many years it has been clear to town-planners that the only satisfactory policy, in the interests alike of industrial and business efficiency and of a good environment for family life, is one of decentralisation. To these sociological reasons has now been added the additional reason of safety from aerial attack. It is manifest folly to add further rings of development to towns already demonstrably too large, or to maintain or even increase their density.

For many years the Garden Cities and Town Planning Association has been advocating a practical policy of decentralisation of the great cities, coupled with the preservation of the countryside from sprawling or scattered development. On the technical and administrative side of the subject the Association, which has, of course, special advantages through its personnel and connections, has been making a constant and detailed study of all the relative problems and has put forward and tried to popularise constructive proposals.

Now that immediate attention must be paid to the problem in the interests of safety as well as welfare, the need for the work of the Association is very great, and it is necessary to supplement it by more complete data as to the financial, statistical and technical aspects of the subject, as well as to maintain an effective propaganda for Planning and Decentralisation.

A few hundreds subscribed now may help to save the country very large sums in the future. Subscriptions will gladly be received by any of us at 13 Suffolk Street, Pall Mall, London, S.W.1.

Yours, etc.,
LYTTON.
CECIL HARMSWORTH.
WALTER LAYTON.
ARTHUR SALTER.

London, S.W.1.

F.B.I. and New Zealand

TO THE EDITOR OF THE ECONOMIST

SIR,—Arising out of the statements made by the Director and the Empire Director of the Federation of British Industries in regard to New Zealand, it would be of important value to English traders in overseas markets if you would record when, where and how the Federation of British Industries has been, or could be, of service to the British manufacturer and the British exporter who sells and distributes the products in New Zealand.

We have been in New Zealand trade, handling produce from that country and acting for English manufacturers in New Zealand for over half a century, but we have no knowledge of any action of the Federation of British Industries that has been of benefit either to one or the other as regards the New Zealand trade.

Yours faithfully,
JOSEPH NATHAN AND COMPANY, LTD.,
ALEC NATHAN, Director.

London, E.C.3.

Scottish Government

TO THE EDITOR OF THE ECONOMIST

SIR,—Your editorial comment on December 17th about the inefficiency of Scottish government is refreshingly frank, but you will pardon one of your readers, I hope, for suggesting that in it you make two gravely wrong assumptions.

The first is that "Scotland is too poor to stand comfortably on its own (sic) feet." No one in possession of the facts could accept such a statement. It is quite untrue.

Financial statements about Scottish revenue are only issued at rare intervals, but the last available figures published by the Treasury revealed that Scotland contributed £67 millions towards a total United Kingdom revenue of £783 millions. That was in 1931 and is 8½ per cent. of the total. Actually that figure of £67 millions does not present a true picture of Scotland's wealth since it excludes the revenue derived from the taxation of chain stores and other concerns whose headquarters are in England but who function in Scotland. But for the sake of argument let us accept it.

Is £67 millions a lot of money—or is it a mere pittance? £67 millions was greater than the national revenues (for that year) of Belgium, of Holland, of Denmark, greater than the national revenues of Norway and Sweden put together. Yet no one, so far as I know, has ever suggested that any one of these countries is "too poor to stand on its own feet."

The second wrong assumption is that "Scotland is too closely related to the rest of Britain . . . to withdraw its (sic) troops from Westminster." Merely because two flats occur in the same building, sharing a roof, a party wall and some of the same services, it does not follow that each housewife has not perfect freedom to run her own ménage in her own way. Obviously Scotland must play her part as an area of Britain, but she has a duty towards herself which she is shirking to-day and has shirked for over two hundred years, with dire results. We certainly need a "planned policy" for Scotland, as you suggest. The Scottish people know their own needs and have the resources to meet them, but it is our business to plan for ourselves and to act for ourselves, and the only way we can do this is through our own legislative machinery—which we have not got.

You suggest that the Scottish people blame their bureaucracy for the decay of their country. We do not: we blame Parliament. Bureaucracy alone cannot help. Control of policy and control of finance for domestic affairs is essential. Even if 100 per cent. of civil servants concerned with Scottish affairs—covering, be it remembered, a far wider sphere than that included in the Reorganisation of Offices Bill you mentioned—were to be moved bodily to Scotland, it would not alleviate the two main evils: namely, the hopeless congestion at Westminster and the lack of a Scottish cabinet to formulate and prosecute a "planned policy" for the "Highlands, the fisheries, the housing, health and staple industries," whose condition you rightly label "lamentable." Governing Scotland is, after all, a full-time job for Cabinet and Parliament. At the moment it is the impossible occupation of one Cabinet Minister who can only command Parliament's attention for two days in the year.

We in Scotland may well ask ourselves, as we do in increasing numbers, whether we can afford to continue a system whereby tens of millions of pounds of Scottish money are taken away every year to London to be spent there—or from there; or whether we can afford to remain in this literally "absorbing" association with a richer country which compels us to follow her standards irrespective of our circumstances, and which is, at the same time, making grave inroads on our economic fabric.

I am, yours faithfully,
ROBERT HURD.

Edinburgh.

French Financial Policy

TO THE EDITOR OF THE ECONOMIST

SIR,—M. Reynaud's economy decrees should not be allowed to pass without attention being drawn to the striking and alarming resemblance they bear to the emergency decrees of Brüning which, seven years ago, intensified Germany's economic crisis and thus materially contributed to Hitler's rise to power. The large scale cut in public works (except for purposes of National Defence and for relieving the economic situation in Alsace) cannot fail to make the unemployment situation worse.

By intensifying the slump when the world economic outlook is not very favourable, the Reynaud decrees play directly into the hands of the extremists.

Yours, etc.,
P. T. BAUER.

Cambridge.

Books and Publications

Another Critic of the Soviets

THE battle of the books about Russia still goes on, but more books are now being written against the Soviet regime than for it. The power of the Red Army and Air Force is widely questioned, though on scarcely convincing grounds, and many erstwhile supporters of the Communist "experiment" have become convinced that the dictatorship of Stalin is too ruthless and the standard of life of the Russian people too low for believers in freedom and equality to lend the regime their backing. The friends of Soviet Russia are more loyal than ever, but they have declined in number. Treason trials, purges, food shortages and famines have bred disillusionment.

M. de Basily* is not disappointed. A pre-war Russian Liberal; he never had high hopes of the outcome of the Revolution after the Bolsheviks had triumphed over the Moderates. He holds no brief for Tsarist government. He admits the folly and iniquity of its rule. But he contends that the course of events was changing for the better when the world war and the Bolsheviks broke the trend with violence. Industry was growing rapidly, and material standards were rising. Liberalism was making headway, and autocracy was in retreat. Education and social services were being extended. M. de Basily contrasts what has actually happened with the elusive might-have-been.

Thus he has little praise even for the apparently conspicuous achievements of Lenin and Stalin. He argues that, compared with the industrialisation which was gathering pace immediately before the war, the Five-Year Plans represent no striking advance, while Soviet schools are poor in quality and Soviet social welfare a mere façade.

The crux of the question lies in two places: the standard of living and the extent of personal liberty. M. de Basily mobilises statistics, largely from official sources, to demonstrate, to his own satisfaction, the "debilitating poverty" of the Russian people to-day. Great mines, factories and plants have indeed been constructed; and vast quantities of war material have been produced. But farming has suffered sorely; the citizens of the first "Socialist" State lack many of the necessities of life; and only a few selected skilled artisans are well paid, well fed, well clothed and well housed.

In politics, as in economics, M. de Basily sees Soviet Russia as a great pretence masking a great failure. There is a formally democratic constitution, but, in his view, the people are, in fact, ruled by fear. Technical training is encouraged, but culture, free thought and true education are denied. And, though regimentation is complete, a liberal opposition is growing in bitterness and strength.

This is a grim picture, and at every point it is documented in detail and pointed by statistics. Yet, although it is the great merit of M. de Basily's book that it collects and analyses large quantities of figures about Russia's economy, mainly indisputable, his thesis is never at all convincing as the whole and final truth. Once more an advocate has written about Russia; and the Russian riddle remains unsolved.

We have hosts of statistics about Russia nowadays, but little genuine information, and the difference between figures and facts was never more complete. Writers like the Webbs have been blind to the progress achieved in pre-war Russia; M. de Basily sees scarcely any of the advantages of Soviet life; and the ordinary reader will still be bewildered. Shrewdly, he will suspect that the truth is a mean between the debaters' shrill contentions. He will not allow political prejudice to discount Russia's power for war and diplomacy, or her rôle as a pioneer in invention and social welfare and an innovator in ways of living. Nor, on the other hand, will he permit mere partisanship to hold up the Soviets as a model for other nations with dictatorship as the oddly-chosen exemplar of excited democrats. Meanwhile, he will learn a great deal from M. de Basily, but he is not likely to be converted.

* "Russia under Soviet Rule." By N. de Basily. Allen and Unwin. 508 pages. 18s.

Shorter Notices

"Wirtschaftskräfte und Wirtschaftspolitik der Tschechoslowakei." By Kurt Witt. Felix Weiner, Leipzig. 272 pages, 27 maps. Rm. 13.50 paper, Rm. 15.50 cloth.

Two years of study have gone to the making of this economic and political study, and although many of the matters with which the book deals have quite changed their nature since the author wrote it, those who want a factual survey of Czecho-Slovakia on the eve of Munich will find in it compendious material. The first part describes with a fair amount of detail the economic structure of the "first" Republic and of its more important industries; and in the latter part the author makes an excursion into politics and policies. Here he sticks less closely to the statistical point, and at times is superficial; but on the whole his text is carefully objective. He contrives a valuable perspective by frequent references to pre-war conditions, though allowance must be made for his determination to regard Czecho-Slovakia as first and foremost a political mistake.

"The Rise of Midland Industries. 1600-1838." W. H. B. Court. Oxford University Press. 271 pages. 15s.

This is not merely a history of events in the development of Midland industries, but a survey of the underlying causes which have made the area an industrial one. Beginning with the period when the Severn was a principal focus for trade, Mr Court gives an interesting—if perhaps over-detailed—account of the change from agriculture to industry as the main occupation of a rapidly increasing population, dealing on the way with such varied and important matters as markets, communications, the beginning of capitalistic enterprise, the intervention of the State and the development of the use of machinery and power.

"The Monetary Aspect of the Raw Materials Problem and the revival of International Trade." By M. A. Heilperin. International Institute of Intellectual Co-operation. 41 pages.

The view here expounded is that Germany's shortage of exchange for the purpose of purchasing materials derives from the search for self-sufficiency and the creation of a war economy. The widespread pursuit of similar policies has accentuated the lopsided distribution of gold and capital and choked trade channels; and the only way out of the present difficulties is the widest international co-operation to reanimate trade and investment and outlaw autarky.

Books Received

The South and East African Year Book and Guide for 1939, with Atlas. (London) The Union-Castle Mail Steamship Company, Limited. 1,168 + 64 pages. 2s. 6d. net.

Institute of Chartered Accountants, List of Members, 1939. (London) Institute of Chartered Accountants. 1,984 pages. 3s. net.

The Constitutional Year Book, 1939. (London) Harrison and Sons, Ltd., 44 St. Martin's Lane, W.C.2. 484 pages. 5s. net.

Annuaire Statistique de la Grèce, 1937. (Athens) Ministère de l'Economie Nationale. 592 pages. No price stated.

A World-wide Survey of Price-Control Schemes

GOVERNMENT PRICE-FIXING

By JULES BACKMAN
Instructor in Economics, New York University.

A critical survey of government price-fixing and production-restriction schemes in all parts of the world from the Great War period to the present day. The author analyses each scheme, and suggests means of overcoming its defects. 304 pages. 12/6 net (by post 13/-).

Order from a bookseller or direct from
PITMAN, Parker Street, Kingsway, London, W.C.2

THE BUSINESS WORLD

Sterling and Gold

ON the evening of January 6th, the Bank of England issued as part of its normal routine the simple statement that it had sold £200,001,571 of gold. It quickly transpired that this gold had been sold to the Exchange Equalisation Account, and it was soon calculated that if this gold was written up from the Bank's statutory price to the current market price it meant that the Exchange Equalisation Account's gold reserves had been reinforced to the extent of nearly £350 millions. It was further announced that the fiduciary note issue was to be increased forthwith from £230 millions to £400 millions. As Parliamentary sanction is required for any permanent increase above £260 millions, a Bill will be introduced when Parliament meets to amend the Currency and Bank Notes Act, 1928, so as to establish the new fiduciary issue of £400 millions. It will be recalled that a seasonal increase of £30 millions was made in the fiduciary note issue last December. The new increase of £170 millions falls £30 millions short of the Bank's gold sale. The net result, therefore, is to bring to an end the recent seasonal increase, and this week's Bank return shows a reduction of £17.5 millions in the reserve, which is mainly due to this cause.

In view of the past year's gold losses of the Exchange Equalisation Account, it is only the magnitude of the transfer which causes any surprise. The suggestion of a transfer was made in *The Economist* as long ago as October 22, 1938, and was repeated on November 12th. On both occasions, however, a far more modest transfer was contemplated, for we suggested £65 millions of gold (at 85s. per ounce) last October and £40 millions in November. It was also suggested that this transfer should be combined with the pre-Christmas increase in the fiduciary note issue, though it is, of course, equally appropriate to combine it with the post-Christmas decrease. It is safe, however, to say that few of those who have been urging on the authorities the step they have now taken expected the bold step of such an enormous transfer.

Yet once the shock of its magnitude has passed off, it is difficult to resist the conclusion that it is justified. Rightly or wrongly, sterling had come under suspicion, and a demonstration in force of this character was the swiftest and most certain way of discouraging purely speculative attacks. The Bank's gold reserve has now shrunk to £126 millions (at 85s. per ounce), or nearly to the level at which it stood when the Exchange Equalisation Account was established in 1932. Conversely, if our last week's estimate is correct, the Exchange Account now holds £410 millions of gold (at 140s. per ounce). Taking, however, the price of gold at 150s. per ounce, the Bank's holding is worth £220 millions, and the Exchange Account's £440 millions. The Exchange Account, therefore, now holds two-thirds of our gold reserves, leaving one-third to the Bank of England. It would be interesting to know if the establishment of this ratio was accidental or deliberate, but in any case it makes it clear once and for all that the main function of our gold is the settlement of our external differences; and two-thirds of our gold has now been mobilised with that end in view.

There is a tendency abroad to regard this gold transfer as inflationary. To show the utter absurdity of any such suggestion it is only necessary to quote the statistics in the table at the head of the following column.

The gold transfer has involved no like increase in the note circulation, in the credit base, in bankers' deposits or in joint-stock bank cash. This week's drop in

	Nov. 23, 1938	Jan. 4, 1939	Jan. 11, 1939
		(£ millions)	
Note issue	526.4	556.4	526.4
Note circulation	476.1	488.1	475.6
Reserve	51.6	68.3	50.8
Proportion	32.4%	35.6%	29.5%
Bankers' deposits	92.2	136.0	118.1

the Reserve and Proportion is solely the consequence of the seasonal contraction in the fiduciary note issue, with which this gold transfer has been combined, and this only restores the *status quo* of the return of November 23rd. The Bank of England is still able to meet its customers' demands in currency, and for years past it has not been required to do more. A measure, therefore, which simply mobilises our gold where it is really required, and does not in itself create any fresh credit, is not inflationary.

The implications of the transfer for the currency policy to be pursued by the British authorities have also been the subject of a certain amount of misconception. The reinforcement of the Exchange Account would make it possible to "peg" the pound at its present level for an indefinite period, and it has been somewhat hastily assumed in some quarters that this is the intention. But any such procedure would involve a change in the often-proclaimed principles of the Government's policy. The purpose of the Account is to iron out temporary and arbitrary fluctuations in the exchanges, but not to resist fundamental changes in the relative values of the different currencies. It is believed in this country—though in the nature of things it cannot be precisely determined—that the pound is still over-valued, although possibly not by as much as it was a year ago. If so, to attempt to maintain the present level against the "drag" of the market would involve imposing on British industry, though perhaps in minor degree, the dislocations that were experienced between 1925 and 1931 and would ensure that the newly-reinforced gold reserve of the Account would gradually drain away. No change in the declared policy of the Government has been announced, and it is greatly to be hoped that no change is to be anticipated.

The transfer of gold from the Bank to the Account has been paid for by the transfer of securities from the Account to the Bank. The Bank thus acquires £200 millions of "tap" Treasury bills, and since the total "tap" issue is only about £500 millions, nearly half the present issue is held by the Bank. Since there will be no means of telling, in the course of the next three months, whether these bills are replaced at maturity by "tap" or by tender bills, even the present very approximate indications of the authorities' transactions will now disappear. This is unfortunate; but the acquisition by the Bank of England of this large total of bills suggests a more constructive possibility. The recent forecast in *The Economist* of a coming dearth of bills was based on the fact that the outflow of foreign money had caused the Exchange Account to sell gold and take over Treasury bills previously held by the banking system. There has, in fact, developed to-day a definite lack of balance. The outflow of foreign money, which caused our gold losses, had other consequences as well as the foreign realisations of Treasury bills. These were foreign sales of British securities, foreign withdrawals of deposits from the British banks, and even foreign dishoarding of British currency. So far, all that there is to be set on the

other side of the equation, as the consequence of our gold losses, is the Exchange Account's absorption of Treasury bills. It is not surprising that there is already a lack of balance, the main symptoms of which are the coming dearth of bills and also last year's progressive weakness in the gilt-edged market.

This big exchange of gold and Treasury bills between the Exchange Equalisation Account and the Bank of England opens the door to a remedy. The issue department of the Bank has always been accustomed to hold all kinds of British Government securities and not merely Treasury bills. We urge, therefore, that it should gradually replace part of its £200 millions of Treasury bills acquired from the Exchange Account by long-term and medium-term securities, which it would purchase in the open market. Such purchases would be made from time to time in replacement of maturities of Treasury bills. In this way it would kill several birds with one stone. It would release to the banking system and the money market the Treasury bills which both urgently need if the banks are to maintain their liquidity and also avoid a deflationary contraction of credit; for, as we have repeatedly explained in the past, the banks must hold against their deposits an adequate volume of bills and short loans as well as a sufficiency of cash. The gilt-edged market would receive

new and powerful support, of a magnitude which would be gauged exactly to counteract the weakness caused by last year's foreign realisations. As indirect consequences, the rising trend of the long-term interest rate would be checked, and future defence borrowing would be facilitated. Nor would these be inflationary moves. Their sole significance and purpose would be the better balancing of the causes and consequence of our recent gold losses, or, more specifically, the neutralisation of the deflationary influences of last year's withdrawals of foreign funds. So far these have only been scotched and not killed by the compensatory action of the Exchange Equalisation Account.

Developments since 1931 have already rendered our monetary system far more elastic than anyone could have envisaged at that date. Looking back, however, over the past year, which was the first year during which our modern monetary system had to cope with a major and prolonged outflow of funds, it is clear that there is still need for even greater elasticity if the two declared objects of British currency policy—the maintenance of cheap money at home and the control of arbitrary fluctuations on the exchanges—are to be successfully combined. This transfer of gold to the Exchange Account provides an opportunity which the authorities ought to seize.

A Century of Indian Tea

A HUNDRED years ago, on January 10, 1839, the first consignment of tea grown and prepared in India, consisting of eight chests, totalling in all 350 lbs., was put up by the East India Company for public sale in the Commercial Sale Rooms, Mincing Lane. Since then British capital and enterprise have created an important industry covering over two million acres, employing about 1,250,000 people and representing a capital investment of upwards of £36 millions. As a result, largely, of the growth of the tea industry in India, London became the centre of the world's tea trade. To-day, India has one-third of the world's area under tea (exclusive of China) and produces over two-fifths of the world's output of the commodity (exclusive of China and French Indo-China). Her exports of tea represent 40 per cent. of the total quantity entering international trade. Tea accounted for 13 per cent., by value, of India's total exports of merchandise in 1937-38, thus ranking in importance after only jute and cotton.

To Major Robert Bruce, an army officer attached to the East India Company, goes the credit for finding native tea trees growing in the hilly tract of the Rangpur district, Assam, in 1823. Two years later the English Society of Arts offered a gold medal or fifty guineas "to the person who shall grow and prepare the greatest quantity of tea of good quality, not being less than 20 lbs. in weight, in the East or West Indies or any other British Colony." The East India Company, then enjoying a monopoly of the China tea trade, did all it could to discourage tea cultivation in India. But in 1834, the year following the abolition of the company's China tea trade monopoly, the special committee appointed to inquire into the possibility of introducing China tea plants into India reported that "the tea shrub is beyond all doubt indigenous to Upper Assam... where the shrub is cultivated for the sake of its leaf... We have no hesitation in declaring this discovery to be by far the most important and valuable ever made in matters connected with the agricultural or commercial resources of this Empire."

The annexation of Upper Assam by the East India Company in 1839 made private enterprise possible and safe. In January, 1840, the Assam Tea Company was formed to take over the private tea gardens of the East India Company. It paid the first earned dividend of 2½ per cent. in 1852, and four years later the dividend was raised to 9 per cent. Between 1856 and 1861 tea gardens and estates were opened up at Darjeeling and South India, by then there were fifty companies cultivating and manufacturing tea. The "tea mania" was running riot in 1862-63;

all and sundry holding a few acres of waste land in Assam, on which were planted a few maunds of tea seed, believed that they possessed a veritable El Dorado. Confidence in the future stability and prosperity of the tea plantation industry returned only after 1870. Since then the Indian tea industry has made steady progress, punctuated by occasional set-backs:

The Indian tea of commerce consists of the cured young

What is your
Capitalised Value
to your family?



If you listed all your personal assets and converted them into cash what would be the total? Now assuming from a safe investment interest on this amount could be obtained at the rate of 3½ per annum tax free, what income would this produce?

This is the test which you should apply to your own resources, so that you will know exactly what the financial position of your wife and family would be in the event of your death—a contingency which it is unwise to ignore. Most men are disappointed and not a little perturbed after this self examination.

THE "SAFEGUARD" POLICY
is specially designed to augment personal assets by providing an income (tax free and payable monthly) for your dependants in the event of death. If you survive the period of your family responsibilities the policy provides capital for your own retirement.

You are invited to make an enquiry for full details and for an illustration suited to your own circumstances. Rest assured you will incur no obligation by doing so.

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

Head Office: 10 FLEET STREET, LONDON, E.C.4.

General Manager: VERNON E. BOYS.

Established in 1836 Assets exceed £42,000,000

Branches and Agencies throughout the World.

leaves and tender tips of *Camellia thea*, variety *Viridis* (China tea comes from *Camellia thea*, variety *Bohea*). The plant is generally propagated from seed. The nurseries are put out in the early part of the year, and at six months to two years the seedling is lifted with a clod of earth carefully cut so as to avoid root damage. The young tea bush reaches maturity in three or four years, but is not in full bearing till the seventh or eighth year. The useful life of the bush is about fifty years. Neither the very young nor the very old bush yields the best tea, and the planter must wait for his return and pursue a systematic policy of replacement. The bush is kept down to 3 or 4 feet to facilitate plucking and ensure a steady supply of young and tender shoots. The work is carried out by women, who with quick eyes and deft fingers rapidly choose and pluck the leaves, right and left hand operating simultaneously. In respect of labour supply, the most fortunate area is South India, whence the surplus labour emigrates, not only to Assam but also to Ceylon and Malaya. In North India the crop is seasonal and the plucking season extends from April to November. More than half the crop is gathered during the months of July, August, and September. In South India and in Ceylon and Java, the crop is distributed throughout the year, though the advent of the rains produces a more abundant but inferior "flush" of leaf, which severely tests both labour supply and factory accommodation. The quality of the tea made varies closely with the fineness of the leaf and, although not so markedly, with the closeness of the plucking. The finest flavoured teas come from gardens in which the rate of growth of the young leaf is slow, as in Darjeeling. But quality also depends on soil conditions, methods of cultivation and, above all, the processing of the tea.

The gathered leaf is taken as quickly as possible to the factory, where it successively passes through the processes of withering, rolling, fermentation, firing, sorting and packing. Withering the leaf takes from 12 to 20 hours and plays an important part in determining the quality of the tea. Rolling twists the leaf and breaks open the cells containing properties that confer strength and flavour on the final product. The fermenting room is a cool, humid place where the rolled leaf is spread thinly and allowed to oxidise to develop the tea aroma. By the time the fermented tea is fired or dried the leaf has lost 75 per cent. of its weight and is termed "made" tea. Then follows sorting into grades, and the sorted tea is packed by machinery into air-tight chests (containing 118 lbs. on the average) and half-chests lined with lead or aluminium foil. Methods of cultivation and processing are being steadily improved by co-ordinated research in India, Ceylon and the Dutch East Indies, the three leading tea-exporting countries.

The growth of the tea plantation industry in India is revealed by the rapid increase in exports, from 250,000 lbs. in 1854 to nearly 2,500,000 lbs. in 1886 and 384,000,000 lbs. in 1929. The United Kingdom is by far the most important consumer of tea, absorbing, in 1937,

about one-half of the world's total exports. The East India Company, anxious to foster its sales of China tea, did much to prevent Britain from becoming a coffee drinking nation like most other countries. But while Britain's predilection for tea was fostered on China teas, the taste has gradually changed in favour of Indian and Ceylon teas. A great part of the credit for this development is due to the London tea blenders for select blending from the early days of the industry, the British public having been led on by gentle steps to appreciate a good "body" in its tea.

During the past ten years, however, the growth in the demand for tea has slowed down perceptibly, and the average price of all teas realised at the London auctions fell from 19.01 pence per lb. in 1927 to 9.45 pence per lb. in 1932. The three chief exporting countries—India, Ceylon and the Dutch East Indies—therefore decided in 1933 to regulate exports in order to assure tea growers a reasonably remunerative price. Regulation was at first introduced for a period of five years from April, 1933, but, owing to its success, the scheme has been prolonged for a further period of five years. Under the influence of the restriction of exports, average prices rose from 9.45 pence per lb. in 1932 to 15.18 pence per lb. in 1937. In the past year average prices fell slightly to 14.39 pence per lb.

In contrast to the sharp curtailment enforced by other regulation schemes, a comparatively small reduction in exports was sufficient to bring about a recovery in the price of tea. In no year were exports reduced below 82½ per cent. of the "standard tonnages" which

were based on maximum exports during any one of the three years 1929-31. But the rise in prices due to the curtailment of exports from India, Ceylon and the Dutch East Indies has led to some decrease in the exports of non-restricting countries. Thus, the restricting countries' share in world exports fell from 85½ per cent. in 1932 to 78½ per cent. in 1937. The tendency of exports from non-restricting countries to increase above a certain level of prices compels the International Tea Committee to pursue a reasonable price policy and safeguards the consumer against having to pay an extortionate price for his tea.

The relatively steady and inelastic demand for tea over a number of years precludes violent or frequent variations in the profitability of production. Booms and slumps notwithstanding, the tea plantation industry has rightly come to be regarded as one of the most stable industries, and tea shares are bought as an investment rather than for speculation. They deserve to enjoy a high rank among commodity shares, for not only does Indian tea enjoy a favoured place in the British market, partly because of the preferential tariff enjoyed by the Empire, but both demand and supply are far less fluctuating than they are for other commodities which are more affected by crop variations, the erratic requirements of the capital goods industries or the vagaries of the American market.

TEA STATISTICS

(In millions of lbs.)

	1927	1929	1932	1935	1937
1. Exports :—					
India	360	384	370	329	331
Ceylon	227	252	253	212	214
Dutch East Indies	145	160	174	145	147
World (incl. other countries) ..	907	968	933	841	882
2. Imports retained for consumption :—					
United Kingdom	410	421	444	441	435
United States	88	88	94	85	93
Australia	47	49	48	46	46
Canada	37	38	40	35	40
3. U.K. bonded stocks (end year) ..	239	275	309	265	217
4. Average Auction Price (pence per lb.) :—					
South India tea	18.88	15.35	8.07	12.20	14.69†
All tea	19.01	16.27	9.45	12.90	15.18†

† Average, January 1 to December 15, 1938 : South India tea, 13.84 pence per lb.; all tea, 14.39 pence per lb.
Source : International Tea Committee.

Bank Share Prospects

BANK profits may be broadly said to be the resultant of two factors, both of which are largely outside the banks' direct control. These factors are the amount of the banks' resources and the employment to which they are put. The amount of their resources is fundamentally governed, under present-day conditions, by the monetary policy of the authorities, while their allocation between different methods of employment depends to a considerable extent on national industrial and financial activity. The final magnitude of the banks' profits in any year will, of course, be affected by such matters as changes in the margin between money loaned to and by the banks, together with the policy of the managements in such matters as the observance of the unwritten rules regarding "ratios" between certain assets and liabilities, and the making of adjustments to and from internal reserves before the disclosed "net profits" figures are struck. From the investor's viewpoint, however, it is true to say that banking practice, as such, may influence the waves, but monetary policy and trade activity determine the main set of the tides of bank share earnings.

So far as the past year is concerned, the trend of monetary policy was on the whole favourable to the banks, though less so in the latter than in the earlier part of the year. The trend of the second basic factor—industrial and financial activity—was on the whole adverse, though less, if anything, in the latter than in the earlier months. The effect from the banks' viewpoint is epitomised in the accompanying table for the "Big Five" institutions.

In this table, the main banking assets have been arranged in order of remunerativeness. As a rough indication of the return in each category, it may be said that the banks earn from 4 to 5 per cent. on their advances, around 3 per cent.

on their investments, from ½ to 1 per cent. on discounts and call money, and nothing on their cash. During the first eleven months of 1938, the "Big Five" had on the average 39 per cent. of their total assets in advances, 24 per cent. in investments, 12½ per cent. in discounts, 5½ per cent. in money at call and short notice, and around 10 per cent. in cash. As between different banks, these proportions varied

CHANGES IN BANK ASSETS (1938 COMPARED WITH 1937)

[Note.—The figures, in each case, show percentage rise or fall in average weekly balances for first eleven months of each year]

	Barclays	Lloyds	Midland	National Provincial	West-minster	Total, "Big Five"
Total Assets	+ 1.4	- 2.0	+ 1.9	+ 1.8	- 2.4	+ 0.2
Advances	+ 3.6	+ 3.0	+ 1.5	+ 8.5	- 1.6	+ 2.8
Investments	- 8.8	- 5.3	+ 4.0	- 4.2	+ 0.1	+ 2.7
Discounts	+ 8.6	- 20.0	+ 5.8	+ 0.8	- 5.0	- 1.7
Call Money	+ 1.8	- 15.2	- 19.4	- 8.0	- 10.3	- 9.2
Cash	+ 5.2	+ 2.2	+ 6.8	+ 2.5	- 1.8	+ 3.2

appreciably, and the extent of such variations is a legitimate study for investors who are considering the prospects of individual bank shares. Taking the figures for the clearing banks as a whole, however, it will be seen that the total assets showed very little change, on the average, in 1938 as compared with 1937. Significant variations occurred, however, in their distribution. Average advances rose by nearly 3 per cent., but whereas the trend of total advances was rising consistently during 1937, it tended to fall perceptibly in the latter months of 1938. Investments were reduced on the average by 2½ per cent., but in the latter part of 1938 their trend, which had been falling for several

Glyn, Mills & Co.

(ESTABLISHED 1753)
Registered with unlimited liability 1885
incorporating

CHILD & CO. and HOLT & CO.
(Established before 1600) (Established 1809)

BANKERS

Army and Air Force Agents, Navy and Prize Agents.

One Hundred and Ninth Statement of Assets and Liabilities, 31st December, 1938.

Dr.	LIABILITIES.	ASSETS.	Cr.
To Capital authorised and issued	£ 1,060,000 0 0	By Coin, Bank Notes and Balance at Bank of England	£ 5,472,082 19 9
To Reserve Fund	530,000 0 0	By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	2,162,951 11 9
To Reduction of the Bank Premises Account	300,000 0 0	By Money at Call and at Short Notice	8,587,600 0 0
To Current, Deposit and other Accounts (including provision for Contingencies)	38,809,496 3 2	By Bills Discounted	1,074,304 7 4
To Acceptances and Engagements on account of Customers	3,203,544 14 9	By Investments :—	
		British Government Securities	£ 898,094 11 9
		Other Securities	1,178,828 17 2
		Subsidiary Companies	10,158,921 8 11
		By Advances to Customers and other Accounts	9,503,635 15 5
		By Liabilities of Customers for Acceptances and Engagements as per contra	3,203,544 14 9
		By Bank Premises (at cost, less amounts written off) :—	
		Freehold	£ 269,000 0 0
		Leasehold	180,000 0 0
			749,000 0 0
			£ 40,903,040 17 11

AUDITORS' CERTIFICATE AND REPORT.

We report that we have examined the above Balance Sheet with the Books of the Bank, and have obtained all the information and explanations we have required, and we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the Books.

KEMP, CHATTERIS, NICHOLS, SENDELL & CO.
JACKSON PUXLEY & CO.
Chartered Accountants.

11th January, 1939.

Every description of British and Overseas Banking and Exchange Business transacted.
The Bank undertakes the office of Executor and Trustee.

67, LOMBARD STREET, LONDON, E.C.3.
CHILD & CO., 1, Fleet Street, London, E.C.4, and Marygold House, Carfax, Oxford.
HOLT & CO., Kirkland House, Whitehall, London, S.W.1.

months, began to rise again. Discounts showed a slight reduction on balance, while call money, as a result of the stagnation of Stock Exchange and City operations generally, declined by 9 per cent. On the whole, profits were unlikely to differ widely last year from those of 1937, since the various movements among the assets tended largely to cancel each other out. For a year in which economic activity was on the downtrend, such a result was not unencouraging. Some of the year's more favourable features, however (such as the rise in average advances), were in part an overflow from the period of economic prosperity which culminated in 1937.

Bank shares have their own distinct *clientèle* among investors, who look upon them as combining many of the virtues of a gilt-edged security and an equity share. How far does experience bear out that view? The table of banking dividends and profits, at the foot of this page, throws some light on the answer.

Only one of the "Big Five" banks—the Midland—has maintained its profits over the last nine years. Only one—Barclays—is paying the same dividend for 1938 as for 1929, the year of peak earnings in the period before the profound financial changes which followed Britain's departure from the gold standard in 1931. The actual figures of disclosed profits, as shown in the table, are affected to some extent, not only by internal reserve adjustments, but by deductions for taxation and (in 1937 and 1938) for National Defence Contribution. If estimated tax deductions are added back, it may be computed that the total profits of the "Big Five" were about £14.4 millions in 1929, £13.5 millions in 1937 and £13.1 millions in 1938. The decline last year incidentally suggests that internal reserve allocations, made before striking disclosed profits, may well have been rather larger than a year earlier. The net result is that bank profits remain something like 10 per cent. below the level of 1929, although *The Economist's* Index of Business Activity last year was 6 per cent. above the 1929 level. Thus, although bank profits and dividends have shown a fairly high degree of stability over this period, their dynamic qualities have not been strongly in evidence. The banks, from an earnings viewpoint, have been largely on the defensive.

The banks' "working capital" has increased appreciably during the period covered by these figures, partly through monetary expansion and partly by accretions from annual earnings "ploughed back" into reserves. As the next table shows, however, present-day profits bear a perceptibly lower relationship to paid-up capital and visible reserves than did those of 1929. The same applies to the relationship between profits and total assets. But the decline in the ratio between profits and average advances is, on the whole, nothing like so great.

NET PROFITS EXPRESSED AS PERCENTAGE OF JANUARY-NOVEMBER AVERAGES IN EACH YEAR

Item and Years	Barclays	Lloyds	Midland	National Provincial	Westminster
Total paid-up capital, and reserve fund—					
1929	8.94	8.76	9.10	11.55	11.60
1937	8.18	7.39	9.75	10.71	9.38
1938	7.24	6.74	8.89	9.85	8.35
Total assets—					
1929	0.61	0.52	0.52	0.72	0.66
1937	0.47	0.40	0.47	0.56	0.43
1938	0.42	0.38	0.45	0.52	0.40
Advances—					
1929	1.36	1.12	1.11	1.44	1.47
1937	1.11	1.13	1.20	1.42	1.31
1938	0.97	1.01	1.16	1.25	1.18

Owing to the varying incidence of taxation, etc., alluded to above, comparisons of single years in individual instances should not be pressed too closely. Two significant features, however, emerge from even a cursory inspection of the table. First, the experience of the different banks tends rather more towards uniformity to-day than in 1929. Secondly, the fall in profits cannot be attributed to any spectacular reduction in the rate of return on each £100 advanced. The considerable drop in profits per £100 of total assets must thus be traced to changes which have increased the proportion of lower yielding assets.

This, indeed, is an aspect of the general position which bears directly on the "equity" prospects of bank shares to-day. Since 1929 a considerable increase has occurred in the banks' holdings of investments, while their advances have failed to regain the 1929 level. The fact that, during recent years of industrial revival, the recovery in bank advances has not been wholly proportionate to the rise in trade activity suggests that competition from other sources—insurance companies and other non-banking institutions, together with the tendency of industry to finance itself from its own retained earnings—has presented the banks with a problem somewhat akin to that which has given rise to the railways' "square deal" proposals, though it is, of course, far less acute.

If, however, industrial demand for banking accommodation were to fall off to any significant extent this year (for cyclical reasons outside the banks' control), and if outside competition were not merely a temporary phenomenon, the question of defending the banks' most remunerative "traffic," by changes in "rates" or otherwise, might well arise. And although one possible effect of the financing of the Government's defence borrowing programme in 1939 may be a certain broadening of the credit basis—with a rising tendency, consequently, both in interest rates and total bank assets—the consummation of Government policy

BANKING PROFITS AND DIVIDENDS

Bank, and method of striking Net Profits, 1938	Net Profits (£)			Paid in Total Dividends (£)*			Retained Profits (£)†			% Paid on Variable Div. Shares			
	1929	1937	1938	1929	1937	1938	1929	1937	1938	Class of Share	1929	1937	1938
BARCLAYS— After payment of all charges and provision for bad and doubtful debts and contingencies.....	2,331,580	2,133,825	1,926,458	1,666,350	1,562,202	1,510,129	665,230	571,623	416,329	"B" & "C" £1 f.p.d.	14	14	14
LLOYDS— After payment of all charges and provisions for all bad and doubtful debts and contingencies	2,242,084	1,832,501	1,705,300	1,973,886	1,347,464	1,302,549	268,198	485,037	402,751	"A" £5, £1 pd.	16½	12	12
MIDLAND— After provision for all bad and doubtful debts	2,445,042	2,508,009	2,445,671	1,934,347	1,764,049	1,758,400	510,695	743,960	687,271	£12 (£2½ paid £2½ fully paid £1 fully paid	} 18	16½	16
NATIONAL PROVINCIAL— After provision for rebate on current bills, and after making a transfer to Contingencies Account, out of which account provision for all bad and doubtful debts has been made.....	2,189,704	1,874,960	1,771,785	1,706,295	1,421,912	1,421,912	483,409	453,048	349,873	"A" £5 (14/- pd.) "B" £5 (£1 pd.) £1 fully paid			
WESTMINSTER— After provision for rebate, income tax and N.D.C., and after appropriations to Contingency Accounts, out of which accounts full provision for bad and doubtful debts has been made	2,160,384	1,750,589	1,557,162	1,356,275	1,271,508	1,126,595	804,109	479,081	430,567	£4 (£1 pd.)	20	20½	18

* Including fixed dividends. † Include allocations to contingency and bank premises accounts, in certain cases pension funds, and addition to carry forward.
‡ Of which 8 per cent. final on larger capital. § Includes 2 per cent. bonus.

may well involve an increase in the total of the lower-yielding types of banking assets—i.e. Treasury bills and investments. For this reason, although the relative stability of bank earnings is not threatened, an upward trend in the near future would appear unlikely.

Certainly, holders of bank shares have fared well in recent years. As our final table shows, the prices of typical variable dividend bank shares are still higher (with one exception) now than nine years ago, and the fall during the last twelve months has been extremely moderate. For this showing, the gilt-edged rather than the equity characteristics of bank shares, are largely responsible. The lower average level of interest rates to-day, as compared with 1929, is fully reflected in the lower yield of bank shares, which has more than compensated for dividend reductions in the interim. The slight, but perceptible, rise in interest rates during the past year is similarly paralleled

VARIABLE DIVIDEND BANK SHARES

	Barclays	Lloyds	Midland	Nat. Prov.	Westminster
Class of Share... Denomination... Price:	"B" £1 (f.p.d.)	"A" £5 (£1 pd.)	shares £1 (f.p.d.)	"B" £5 (£1 pd.)	shares £4 (£1 pd.)
Jan. 9, 1930	55/7½	63/1½	78/1½	66/3½	76/3½
Jan. 12, 1938	75/6	61/6	88/-	76/3½	96/6
Jan. 12, 1939 ...	73/6x	57/6x	84/-x	70/-x	90/6
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Yield %					
Jan. 9, 1930	5 3 3	5 8 9	4 14 3	5 8 9	5 6 3
Jan. 12, 1938	3 15 6	4 0 0	3 14 0	4 0 3	4 5 0
Jan. 12, 1939	3 16 3	4 3 9	3 16 3	4 5 9	4 1 3

† Based on price of old £20 shares, £4 paid.

by a rising tendency in bank share yields. The general conclusion would seem to be that the course of bank share prices in the near future is more likely to follow that of gilt-edged stocks than of equities in general, but that no considerable fall in prices seems to be indicated.

Finance and Banking

The Defence of Sterling.—Recourse has been made to the Tripartite Agreement, to reinforce the various measures taken over the past ten days in the defence of sterling. The central banks of the various countries adhering to the Tripartite Agreement—and especially the United States, France, Holland, Belgium and Switzerland—have been invited to co-operate in the steps taken to discourage bear speculation against sterling, whether by banning forward operations in gold or by subjecting the character of forward exchange operations to more critical scrutiny. These institutions in their turn have forwarded this request to their domestic banks together with their own strong recommendation for compliance. The whole defensive edifice which is thus being built up is essentially voluntary in character, and it will have to be tested over a fairly extended period before any judgment on its efficacy can be passed. During the past week the experience of the market has suggested the existence of loopholes of considerable size—as indeed there must be as long as the exchange markets in the countries concerned remain free. The Dutch banks, for example, have been asked to refrain from forward gold operations with a sterling counterpart and are meticulously complying with this request. But they appear to be quite prepared to arrange forward gold purchases against French francs or, even more conveniently, against Swedish crowns, a currency which is almost certain to fluctuate with sterling in terms of gold. The existence of such facilities has already resulted in the transfer to Amsterdam of an appreciable volume of forward gold business. Scrutiny of forward exchange contracts is another matter in which absolute identity of judgment can hardly be expected, and deals which may appear sufficiently speculative to come under the ban of one bank have already been welcomed with open arms by less exacting institutions. Such elasticity of judgment has been apparent this week not only among Continental banks but also in London. The volume of business in the forward exchange market has consequently suffered very little from the official discouragement of speculative operations. The premium on forward dollars has at times shown signs of widening, and the Exchange Equalisation Account has had to intervene on a moderate scale in this market in order to prevent the premium on dollars from going appreciably beyond 2 cents for three months.

* * *

U.S. Silver Policy.—In their annual review of the silver market, Messrs Handy and Harman, the leading American firm of bullion dealers and brokers, write down the U.S. Government's silver programme as a complete and expensive failure. They even predict the radical amendment of that programme by Congress and the abrogation of the Silver Purchase Act of 1934. The facts of the situation as set out in the review certainly provide strong support for the case against the silver programme. During 1938 the silver market was almost wholly dependent on official American absorption of the metal, and United

States purchases accounted for 403,200,000 ounces, compared with 312,200,000 ounces in 1937. The 1938 figure was made up of 60,300,000 ounces of domestic silver and of 342,900,000 ounces bought in the open market. World production of new silver last year amounted to 264,800,000 ounces as compared with 274,700,000 ounces for 1937, but world supplies were augmented to 598,800,000 ounces, mainly by sales of demonetised silver by China (234,300,000 ounces), Mexico (35,000,000 ounces), Spain (40,000,000 ounces) and Siam (22,000,000 ounces). Of the world supply, the United States thus acquired over 67 per cent., while its purchases represented more than one and a half times the world output of new silver. Despite these enormous purchases, the United States Treasury at the end of the year was still as far as ever from the goal of a 1:3 ratio between silver and gold. On December 31st it would still have needed an additional 1,165,000,000 ounces of silver to bring the silver reserve up to the re-

BOROUGH BUILDING SOCIETY

Comparative Statement 31st December, 1937/38

	LIABILITIES	
	1937	1938
Shareholders	3,958,400	4,123,538
Depositors	769,195	989,529
Sundry Creditors	4,638	5,205
National Taxation.....	20,007	22,350
Suspense Account	963	957
Office Premises Depreciation Account	16,307	16,039
Reserves	243,392	272,567
	£5,012,902	£5,430,185

	ASSETS	
	1937	1938
Advances on First Mortgage	4,656,055	5,187,334
Office Premises	35,271	34,203
Sundry Assets	2,645	2,209
Corporation Mortgages and Government Securities.....	136,349	136,160
Cash at Bank and in Hand.....	182,582	70,279
	£5,012,902	£5,430,185

INCREASED RATE OF INTEREST ON SHARES FOR 1939 — 3½% (clear of Tax).

Any Sum Received up to £5,000

Assisted House Purchase on Attractive Terms

PLEASE ASK FOR BALANCE SHEET AND LEAFLETS

ESTABLISHED 1874

LOUIS GAUGHAN,
General Manager.

CHIEF OFFICE:

12 Nicholas Street,
BURNLEY

quired level. During the five years of its existence, the United States' silver programme has cost over \$1,000,000,000, of which 82 per cent. was paid for foreign silver and 18 per cent. for domestic metal. On pure logic the case for the abrogation of the Silver Purchase Act is convincing enough. Some regard must, however, be had for the extent to which the United States has become committed to a maintenance of the price for silver—however artificial it may be. The United States Treasury would be by far the principal loser—on capital and not on income account—from a suspension of their official purchases of imported silver. The position, however, is sufficiently precarious and uncertain to justify Messrs Handy and Harman's prediction that the silver market is in for a period of troubled conditions.

* * *

Crisis Capital Movements.—Cabled summaries of the United States Treasury's report on the flow of foreign capital into and out of the United States for the third quarter of 1938 reveal movements of unprecedented magnitude. During this period the net inflow of capital into the United States amounted to \$407,166,000—despite net sales of securities by foreign holders amounting to \$29,886,000—an influx prompted by the international crisis. In the single week ended September 14 the influx amounted to as much as \$151,540,000. The greater part of the inflow of capital was in the form of bank balances, the net total in this form amounting to \$448,893,000. As the "crisis rush" into dollars was part of a world-wide rush into liquidity, it is not surprising that it should have taken this predominant form. Great Britain provided the largest source of this influx of funds into dollars. The net movement from sterling into dollar bank balances amounted to \$110,669,000 for the quarter, and taking all forms of capital the net movement from Great Britain was \$93,479,000. It may be assumed from the experience of the market at the time that the bulk of this movement from sterling into dollars represented the transfer of Continental rather than British capital. The figures for the final quarter of the year are likely to show a further large flow of foreign capital into the United States, for the flight into dollars continued for some weeks after the climax of the September crisis.

* * *

American Banking Trends.—During 1938 the Federal Reserve Banks acquired \$2,718 millions of gold certificates, this being due both to the year's influx of gold and also to the new policy of desterilisation adopted by President Roosevelt in the early part of 1938. The main consequence of this increase was a growth during the year of \$2,080 millions in member bank reserves and one of \$2,030 millions in excess reserves. These movements are reflected in the year-end statements of some of the leading New York City banks, which are summarised in the following table:—

NEW YORK CITY BANK STATEMENTS
(\$ millions)

	Deposits		Cash		Government Securities		Loans	
December 31	1937	1938	1937	1938	1937	1938	1937	1938
National City	1,712	1,835	517	532	483	669	609	522
Guaranty Trust	1,424	1,597	478	788	541	486	623	529
Chase	2,070	2,234	708	861	603	640	729	639
Bank of Manhattan	470	508	208	166	81	111	168	146

All the banks show increases in deposits and three of them in cash reserves. As regards the principal earning assets there is a general decrease in loans, but their investment policy has apparently varied. Still, the broad fact remains that the supply of credit has been increased, while the demand has contracted since a year ago. The result is that the American banks have become much more liquid. Indeed, their direct problem to-day is to find employment for the swollen resources placed at their disposal as the consequence of the reversion of Washington to a policy of deflation.

Jugoslavia's Exchange Policy.—The decision of the Yugoslav Government—reported by our correspondent in *The Economist* of December 24—to increase the sterling rate for the benefit of Yugoslav exporters is a welcome event from more than one point of view. It will tend to increase Yugoslav exports to Great Britain. What is more important, it indicates that despite all German efforts to acquire economic control, Yugoslavia has retained her independence in matters of foreign exchange policy. The decision to increase the sterling rate was taken in defiance of strong German opposition. The German policy in Yugoslavia, as in other countries of South-Eastern Europe, aims at maintaining the national currency undervalued in terms of Reichsmarks and overvalued in terms of sterling and other free exchanges. At first sight this policy may appear to be against the interests of German export trade. In reality, however, it helps German exporters by diverting Yugoslav exports to Germany and thus compelling Yugoslavia to buy more German goods. It was with this object in mind that Germany spared no diplomatic effort in 1936 to dissuade the Governments of South-Eastern Europe from following the French example by devaluing their currencies. It was with the same object that, during the recent negotiations with Yugoslavia, Roumania and other countries, Germany insisted upon fixing a higher Reichsmark rate. The result of this policy was that German importers could afford to pay abnormally high prices for the products of South-Eastern European countries in terms of the currencies of these countries, and thus drive a wedge between their prices and the world price level. The obvious remedy against this state of affairs would be a devaluation of national currencies in relation to the free exchanges. This end was partly achieved by Roumania in the recently concluded Anglo-Roumanian payments agreement, and by Yugoslavia through the present increase of the sterling rate. Even though this increase is only temporary, and does not amount to devaluation, in practice it is unlikely to be reversed.

* * *

New Life Assurance in 1938.—The steady increase since 1931 in aggregate new sums assured was sharply

NET NEW LIFE BUSINESS
(In £'000's)

Office	1937	1938	Rise or Fall
Alliance	3,836	4,200	+ 364
Atlas	4,536	4,040	- 496
Britannic	3,593	3,420	- 173
British Equitable	835	870	+ 35
British General	897	958	+ 61
Caledonian	2,166	2,103	- 63
Clerical Medical and General	2,853	2,665	- 188
Commercial Union	6,076	5,991	- 85
Co-operative	3,460	3,275	- 185
Eagle Star	10,465	10,313	- 152
Equitable	1,935	2,030*	+ 95
Equity and Law	4,668	3,513	- 1,155
Friends' Provident	2,852	2,655	- 197
General	2,844	2,611	- 233
Gresham Life	3,538	3,810	+ 272
Guardian	1,816	1,719	- 97
Law, Union and Rock	2,606	2,810	+ 204
Legal and General	7,283	7,206	- 77
Life Association of Scotland	1,619	1,721*	+ 102
Liverpool and London and Globe	2,886	2,850	- 36
London Assurance	2,956	2,679	- 277
London Life	2,709	2,701	- 8
Marine and General	525	564	+ 39
National Mutual	1,038	1,082*	+ 44
National Provident Institution	2,116	2,047	- 69
North British	5,620	5,327	- 293
Norwich Union	11,530	11,700*	+ 170
Pearl	8,664	8,231	- 433
Phoenix	4,900	4,950*	+ 50
Prudential	29,709	28,250	- 1,459
Refuge	8,685	7,895	- 790
Royal	5,158	5,173*	+ 15
Royal Exchange	4,660	4,359	- 301
Scottish Amicable	2,122	2,131*	+ 9
Scottish Equitable	1,920	1,830	- 90
Scottish Life	2,214	2,315	+ 101
Scottish Provident	3,313	3,159	- 154
Scottish Temperance	1,604	1,575	- 29
Scottish Widows	5,047	5,240*	+ 193
Standard	4,341	4,647	+ 306
United Kingdom Provident	5,023	5,116*	+ 93
University	284	340*	+ 56
Wesleyan and General	1,650	1,508	- 142
Yorkshire	2,855	3,000*	+ 145
	189,407	184,579	- 4,828

* Record.

arrested last year. In view of the political and trade conditions which were experienced in 1938, however, some

moderate recession was only to be anticipated, and there is little doubt that improvement in these conditions would encourage the resumption of the upward movement of 1931-37. Despite the aggregate fall in new business, no less than 11 of the 44 offices whose figures are given above recorded new high levels. The effect of the trade recession doubtless explains the decreases shown by each of the industrial-cum-ordinary offices, namely, the Prudential, Pearl, Refuge, Britannic and Co-operative. Group assurances have been excluded from the table where the published information permits. The Eagle Star, however, which is known to transact a large volume of group business, gives only its total figure of new business. In group assurances, the Standard showed a large increase from £789,000 to a new record of £1,817,000, but the Legal and General's new business in decreasing

term and group assurances fell from £11,279,000 to £9,268,000. The published statement of the Prudential mentions a "considerable" increase in group business. New group pension results are of special interest; last year's uncertainties must have deterred the enlistment of interest in schemes covering the retirement of employees up to remote dates in the future. Nevertheless, the efforts of the Standard in this branch also have been highly successful, for this office issued contracts guaranteeing future pension payments of £646,000 per annum against £280,000 in 1937. The Legal and General, dealing with a much larger volume of business than the Standard, apparently suffered a moderate reduction in the amount of new pension contracts. Consideration moneys for immediate annuities showed some further decline from the exceptionally high levels of recent years.

MONEY MARKET NOTES

Foreign Exchanges

THERE has been a very narrow market this week, as the reinforcement of the Exchange Equalisation Account's gold reserves is at present deterring speculators from taking a view. Immediately after the news of the gold transfer, sterling rose from \$4.64½ to \$4.68½. A few nervous operators were realising dollars, but the main influence was official intervention. This week the New York rate gradually eased to \$4.65½ on Thursday morning, with the Control losing dollars every day, but it stiffened to \$4.67½ on Thursday afternoon. Three months' dollars were then at 2 cents premium, compared with 2½ cents premium a week before. Rather significantly, the spot Paris rate has followed the New York rate, thus showing that the franc may be acquiring a greater affinity for the dollar. At the week-end sterling rose to Frs. 177½, but has since slipped back to Frs. 177½. Forward francs have weakened slightly, the one month's rate going from a slight premium to Frs. ½ discount and the three months' rate from par to Frs. ½ discount. There was very little intervention by the French Control in the spot market and none at all in the forward market. Belgas followed the dollar, but were bid rather than offered all the week. It is believed that there was a big buying order in the market. One month's belgas are quoted at par and three months' at 4 cents discount. Guilders and Swiss francs also followed the dollar, which now seems to be setting the tone for the market.

The Bank Return

THIS week's return reflects the transfer of gold from the Bank of England to the Exchange Equalisation Account, discussed in a leading article on page 76. The issue department's gold reserve is reduced by £200 millions, while the fiduciary note issue is raised by £170 millions. The net result is a reduction of £30 millions in the total note issue, this being the normal post-Christmas contraction. The balance of the Christmas currency returned to the Bank this week, reducing the note circulation by £12.5 millions. The notes in Reserve, therefore, are only £17.5 millions less than a week ago.

The reduction in the note issue meant that £30 millions of the securities taken over from the Exchange Account were lodged in the banking department. Government securities,

however, are only £24.8 millions higher than last week, as there has since been

	Jan. 12, 1938	Dec. 28, 1938	Jan. 4, 1939	Jan. 11, 1939
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.:				
Gold	326.4	326.4	326.4	126.4
Notes in circulation	482.1	504.7	488.1	475.6
Banking Dept.:				
Reserve	64.9	51.7	68.3	50.8
Public Depts.	13.2	15.9	20.5	19.2
Bankers' Depts.	123.4	101.0	136.0	118.1
Other Depts.	36.8	36.8	37.2	36.7
Govt. Secs.	90.2	69.2	71.4	96.2
Discounts & Advances	15.8	28.5	48.9	22.1
Other Secs.	20.5	21.5	22.4	22.3
Proportion	37.4%	34.1%	35.6%	29.5%

some repayment of Ways and Means advances. Market repayments have reduced discounts and advances by £26.8 millions, but they are still £7.2 millions higher than just before Christmas, so that part of the recent borrowing did not emanate from the discount market. Bankers' deposits are £17.9 millions lower than last week. The banks have gained the benefit of the return of Christmas currency, but their cash has been depleted by the discount market's repayments, which were made out of money borrowed from the banks. Looking back to November 23rd, before the Christmas withdrawal of currency, the note circulation is back to its level of that date, but bankers' deposits are higher. This is partly due to an intervening reduction in public deposits and partly to increases in Government securities and discounts and advances. Last week's return shows that bankers' deposits were not affected by the gold transfer.

The Money Market

MONEY has been comfortable, although up to last Monday the market was still repaying the Bank. This week's Bank return suggests that part of the New

	Jan. 13, 1938	Jan. 5, 1939	Jan. 12, 1939
	%	%	%
Bank Rate	2	2	2
London Deposit Rate	2	2	2
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½-1*	1½-1*	1½-1*
Discount Rates:			
Treasury bills	1½	9½	1½
Three months' bank bills	17½	9½	9½

* Viz. 1 per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ½ 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.

Year increase in discounts and advances was due to outside borrowing, and so the market's total loans may have been less than was previously estimated. The banks are also again lending freely, while this week's maturities

of tender Treasury bills were £14 millions in excess of payments. This all helps to explain the comparative ease; but, on the other hand, the banks are now beginning to pay over revenue in large amounts.

The banks have also resumed buying bills. They are ready buyers of February and March Treasuries at ½ per cent., and are taking a few early Aprils at the same rate. Three months' bank bills are quoted at ½ per cent. There is no sign yet that the Bank is buying dated securities in replacement of some of the Treasury bills taken over last week from the Exchange Equalisation Account.

The Bullion Market

BUSINESS in gold has contracted as the result of the new regulations. There has been a certain amount of reselling, mainly of maturing forward contracts.

Date	Price per fine oz.	Prem. or Disc. *	Amt. dealt in £'000	Cash	Two Mths.
Jan. 1939	s. d.	d.	£'000	d.	d.
Jan. 6	149 6	1½ pm	401	20½	20½
" 7	148 9½	2 pm	417	20½	19½
" 9	148 7½	1½ pm	482	20½	19½
" 10	149 0	1½ pm	492	20½	19½
" 11	148 10	1 pm	489	20½	19½
" 12	148 9½	1½ pm	477	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.

This has been balanced by fresh Continental buying, by interests strong enough to finance their own purchases. There was only a limited amount of arbitrage. The Control had to supply some gold on one or two days, but it bought a little on Saturday, and did not intervene either way on Monday or Thursday.

In the silver market the demand for cash has become easier, as there was less bear covering in evidence. There has also been some Indian forward buying, mainly to replace silver previously sold at a profit. The margin between cash and forward therefore narrowed on January 6th from ½d. to ¼d. This week has witnessed a little Continental selling and some American hedge-selling, offset by American trade buying. The latest cash price lies between the American buying and selling parities, but it is not regarded as stable.

Investment

New Southern Railway Capital.—The issue of £7,500,000 of Southern Railway 4 per cent. debenture stock, redeemable 1970-80, at 98½, was fully subscribed on Wednesday. Its terms were so attractive that the market lowered the two existing 4 per cent. debentures by three points on Monday, but the new stock opened at ½ premium and rose further to 1½ premium on Thursday. The funds will be devoted to reimbursing the company for certain capital expenditure already incurred on electrification and other works, and also to meet the cost of further additions and improvements. Thus the issue represents a complete break from the financial facilities made available since 1936 by the Railway Finance Corporation. The Southern Railway's full quota of borrowing from the Corporation is £5,929,811, of which £2,500,000 had been borrowed up to the end of 1937; by the beginning of next year, therefore, the company will have only £929,811 still available from that source, assuming that the past rate of borrowing is maintained. The 1937 balance sheet showed that the company had overspent on capital account the sum of £10,718,000, a position which would not in itself involve urgent rectification, though it does indicate that use has been made of the non-capital funds of the company, including the Railway Finance Corporation advances, to meet the large-scale capital expenditure of recent years. The cost of the new loan, to latest redemption, is £4 1s. 6d. per cent., compared with an effective rate of £2 14s. 8d. per cent. on the Railway Finance Corporation 2½ per cent. loan. The latter, however, is of a short-term character, for it is redeemable 1951-52, while borrowing under guarantee could not be arranged to-day on such favourable terms. The fact that the Southern Railway obtains as much as one-third of its passenger revenues from the London Transport Area suggests that it will be the principal main-line beneficiary if the forthcoming application for a basic 5 per cent. increase in charges in the area is granted by the Railway Rates Tribunal. Preferred ordinary stockholders will note that the chairman states in the offer for sale that the annual sum of £2,243,167 required to meet annuities and debenture interest in future has been covered "more than 2½ times" by net revenue for 1938. On this basis, last year's earnings would amount to at least 3½ per cent. for the preferred ordinary stock.

L. and N.E. Guaranteed Payment.—After *The Economist* had gone to press last week the London and North Eastern Railway announced that full dividend payments would be made on the first and second guaranteed stocks. Thus, a major doubt which had exercised the minds of second guaranteed stockholders since last July (when the interim dividend statement stated that

the half-year's payments involved a transfer from general reserve "for the time being") has been dispelled. Last Friday's statement, however, made no reference to the earnings position. Estimates submitted on page 31 of last week's issue suggested that the 4 per cent. dividend might be short-earned to the extent of one-third per cent. Any calculation of earnings is particularly difficult for this company, however, and it may happen that the estimate of working economies during the past half-year was too conservative. Alternatively (though this is perhaps less likely in view of the absence of any explicit reference, such as appeared in the interim statement) the directors may have made up some slight short-fall in earnings on the stock from general reserve. The second guaranteed stock has improved this week to from 60 to 61½ on the full payment.

Further Bank Results.—The bank dividend season has closed on a rather less cheerful note than it opened. For while the market was agreeably surprised by the increase in Martins Bank dividend announced last week, it was definitely disappointed by the reduction from 20 per cent. to 18 per cent. in the distribution of the Westminster Bank, the last of the "Big Five" to make its announcement. Shareholders were explicitly warned not to expect a repetition of last year's 2 per cent. bonus, and the yields ruling on Westminster Bank shares clearly showed that no such repetition was expected. At the same time, some hopes had been entertained of partial compensation by an increase in the dividend (as in the case of Martins) and the £4 shares, £1 paid, fell sharply on the announcement to 87s., but subsequently recovered to 90s. 6d. to give a slightly lower return (£4 1s. 3d. per cent.) than Lloyds Bank partly-paid shares. The profit figures show that the directors' decision was not due merely to conservatism, unless, of course, this had been given full rein before the figures were struck. The dividend is, of course, very comfortably covered, and after allocations of £300,000 to pensions fund as before and £100,000 to premises account, against £200,000, the carry-forward is £30,567 higher at £526,585. Net profits, however, show a reduction of £193,427 to £1,557,162, or 11 per cent. compared with the 1937 level, against an average fall of less than 6 per cent. for the other members of the "Big Five." Lloyds Bank "A" share dividend is maintained at 12 per cent. and the "B" shares receive the maximum of 5 per cent. The National Provincial payment is also unchanged at 15 per cent., and the profits at £1,771,785 show a decline of £103,175 on the year, though they are still a trifle higher than in 1936. It must be remembered, however, that this is the only member of the "Big Five" which shows its dividend gross. The repeated allocations of £100,000 to premises account and £250,000 to pensions fund leave the carry-forward substantially unchanged at £573,588. Lloyds Bank profits are reduced by £127,201 to £1,705,300. Premises account again receives £100,000, but the allocation for contingencies is reduced from £400,000 to £300,000, leaving a slightly larger carry-forward of £527,456. All five of the large banks thus show some decline in published profits from the high level of 1937. Grossing up the figures before tax and N.D.C. suggests, however, that the gross earnings of one bank, the Midland, were actually higher last year and that all except the Westminster earned more than in 1936, before deduction of tax.

London Fares Increase.—For many weeks past it has been an open secret that the Standing Joint Committee of London Transport and the main line railways were considering steps to secure increases in certain fares in the London Transport Area. The general character of the proposals, published this week, closely follows the suggestions on page 223 of *The Economist* of October 29, 1938. The main line companies and the Board are to apply

to the Railway Rates Tribunal for permission to increase passenger fares by 5 per cent. or thereabouts on the suburban railways operated by the main line companies, or on which joint running is in force. For their part, London Transport propose to increase fares on their railways, which are not covered by the application to the Railway Rates Tribunal, to bring them nearer to the standard rate of 1d. per mile. Season ticket rates will be increased commensurately, with a limit of about 5 per cent., but workmen's fares will only be raised where single fares are increased. No general revision of fare stages is contemplated on the road services, and the standard of 1d. a mile will be maintained. But certain exceptionally low fares, such as cheap "all the way" and mid-day tickets, will be adjusted. Little change in single fares will be made on the coach services, but return tickets will cost slightly more. London Transport and the main line companies express regret at the proposed increases. But their contention that their credit must rank high enough to secure the necessary finance for extensions is inescapable—and a pointer of importance for London Transport "C" stockholders.

New Woolworth Record.—Dividend announcements which raise share prices are rare to-day. But the jump in F. W. Woolworth ordinary from 58s. 3d. to 60s.

last Tuesday was well merited on the results. Profits, after provision for properties (£176,654) and fixtures (£137,825), but before taxation, have reached a new high level of £6,961,141, against £6,490,014 in 1937. The dividend accounted more directly for the market's joy, for few investors were expecting a 5 per cent. increase in the cash bonus, raising the total distribution to 65 per cent. for the year. Our analysis below shows that the margin of undistributed profits is broadly maintained despite the fact that increased taxation has absorbed almost three-quarters of the disclosed increase in profits:—

	Years ended December 31st	1936	1937	1938
Profits	£	5,854,335	6,490,014	6,961,141
Taxation	£	1,256,128	1,697,066	2,031,745
Prof. dividend	£	228,750	225,000	217,500
Ordinary shares—				
Earned	£	4,369,457	4,567,948	4,711,896
Paid	£	3,431,250	3,375,000	3,534,375
Earned %		76.4†	81.2	86.6
Paid %		75*	60	65
Buildings reserve	£	100,000	100,000	100,000
Staff fund reserve	£	100,000	100,000	110,000
Carry forward	£	3,507,978‡	4,500,925	5,468,446

† On increased capital of £7,500,000. * Of which 45 per cent. on new capital, and 30 per cent. on old (£3,750,000); also 100 per cent. capital bonus. ‡ After £3,750,000 placed to general reserve, for bonus, and £21,892 expenses.

BANK OF THE MANHATTAN COMPANY NEW YORK

Chartered

1799



Condensed Statement of Condition as of December 31, 1938

ASSETS		
CASH AND DUE FROM BANKS AND BANKERS		\$166,114,871.50
U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED		110,737,882.67
OTHER PUBLIC SECURITIES		37,156,185.65
OTHER SECURITIES		14,821,872.11
DEMAND LOANS AGAINST COLLATERAL		70,278,022.39
LOANS AND DISCOUNTS		146,123,958.37
REAL ESTATE MORTGAGES		6,942,637.35
BANKING HOUSES OWNED		14,728,592.11
OTHER REAL ESTATE OWNED		3,389,973.99
CUSTOMERS' LIABILITY FOR ACCEPTANCES (LESS ANTICIPATIONS)		6,044,668.10
OTHER ASSETS		4,325,959.28
		\$580,664,623.52
LIABILITIES		
CAPITAL	\$20,000,000.00	
SURPLUS	20,000,000.00	
UNDIVIDED PROFITS	6,178,211.46	
		\$46,178,211.46
RESERVE FOR CONTINGENCIES		2,011,517.89
DIVIDEND PAYABLE JANUARY 3, 1939		600,000.00
DEPOSITS		507,609,777.23
CERTIFIED AND CASHIER'S CHECKS		15,008,665.40
ACCEPTANCES OUTSTANDING		6,451,838.19
OTHER LIABILITIES, RESERVE FOR TAXES, ETC.		2,804,613.35
		\$580,664,623.52

On December 31, 1938, of the above assets, \$38,087,437.74 are deposited to secure public deposits and for other purposes required by law.

Member Federal Reserve System : Member Federal Deposit Insurance Corporation

European Representative :

T. GRAYDON UPTON, 4 Adams Court, E.C.2



To men in the fifties and sixties

It is not generally realised that for an annual premium of £47 : 12 : 6 (reducible by income-tax relief) a man aged 55 next birthday can effect a Whole Life Assurance of £1,000 with right to Bonuses under the Distinctive System of

The Scottish Provident Institution

Write for booklet explaining 'The Distinctive System'
London (City) Office - 3 Lombard Street, E.C.3
HEAD OFFICE - 6 St. Andrew Square, EDINBURGH
Founded for Mutual Life Assurance 1837
Funds exceed £25,000,000

It is probable that some decline occurred last year in the consuming power of the population. Hence the fact that the Woolworth business (which is dependent at first hand on general consuming power) has reached a new level of prosperity is a meritorious achievement. To some extent, perhaps, recession may have assisted the undertaking, since it may have encouraged economy buying at the company's stores. Again, the stores opened in recent years may have become more fully remunerative during the past year. But investors who are disposed towards caution will note that last year's rate of increase in gross profits was reduced to 7.3 per cent., compared with 10.8 per cent. for the preceding year. This is, in fact, the first check since 1932. Whether it is a reliable portent for the future remains to be proved. But assuming that profits and dividend were maintained a year hence, returns of £5 13s. per cent. on cash distributions, and over 7½ per cent. on earnings which are now obtainable on the 5s. shares, at their *cum* dividend price of 60s., may be regarded as satisfactory.

* * *

John Summers Finance.—The reports current last November that negotiations were in train between John Summers and Sons and United Steel Companies have been confirmed this week by the announcement of an important development and finance scheme undertaken by the two companies with the co-operation of the Bankers Industrial Development Company. John Summers is erecting a new American type strip mill at Shotton which is due to be completed at the end of this year. The finance for this project is to be covered, firstly, by an issue of £2,000,000 first mortgage debenture stock by John Summers on terms to be arranged; secondly by the subscription at par for 1,288,185 "A" ordinary £1 shares by United Steel Companies and, thirdly, by the subscription of 1,000,000 "A" ordinary shares at par by Bankers Industrial Development. These funds will meet the balance of the cost of the new mill, repay bankers' advances and the existing £100,000 4½ per cent. debenture stock, and provide for improvements and further working capital. At the same time, the existing capital of John Summers is to be reorganised by the conversion of the 1,711,815 7½ per cent. £1 preference shares into "A" ordinary shares and of the existing 2,000,000 £1 ordinary shares into "B" ordinary shares. The two classes will rank for dividend in the proportion of 3 per cent. on the "A" ordinary to 1 per cent. on the "B" ordinary shares, with limits of 7½ per cent. and 2½ per cent. respectively. The balance of profits after these limits have been reached will be divided into two equal parts between the 4,000,000 "A" ordinary shares and the 2,000,000 "B" ordinary shares. It is anticipated that in the absence of abnormal conditions the demand for black steel sheets will at least be maintained, and the directors expect that the new mill should materially increase the rate of profit on the company's present output. Thus, after the service of the projected debenture issue has been met, "a substantial margin" should remain for reserves and dividends.

* * *

Effect of the Scheme.—Accompanying these financial changes is an important change in ultimate control, reminiscent of the changes in the direction of Richard Thomas. One of the new "A" ordinary shares will be allotted majority voting powers, which will be exercised by a Committee composed of: Mr Montagu Norman, Mr B. G. Catterns (governor and deputy-governor of the Bank of England respectively), Mr H. H. Summers (chairman of the company), and Sir Walter Benton Jones (chairman of United Steel). During a period of seven years, the 1,000,000 "A" shares subscribed by the Bankers Industrial Development may be purchased by United Steel Companies without capital profit, but with payment of interest, and so long as United Steel retain a substantial holding, the voting share rights will not be terminated before a ten-year period has elapsed. The preference shares fell sharply on the announcement from 19s. 6d. to 17s. On their dividend record to 1937, their treatment seems at first sight rather hard, but the 1938 results might tell a different

story. Last year, for the first time in a decade, the company failed to pay an ordinary dividend, although the preference dividend was met in full. The net profits available for the gross preference dividend (which calls for £128,386) expanded steadily from £177,477 in 1932 to £279,739 in 1937. In future, the service on the new debenture (taken, say, at a 5 per cent. rate), might absorb £100,000 from the balance available for dividends. To meet this sum, and to maintain a 7½ per cent. rate on the "A" ordinary shares (together with 2½ per cent. on the "B" capital), would require, in all, gross profits before tax of £450,000, compared with an average of £219,605 for 1932 to 1937. The prospects for preference shareholders under the new scheme thus depend intimately upon the realisation of impressive working economies from the new mill, and also upon the future level of demand for the wide type of sheets which it is to produce. The scheme, at any rate, avoids the pitfalls of an excessive burden of prior charges. And if preference shareholders find the proposed exchange into an equity share repugnant (as some of them may) the hard fact remains that the company has been compelled by external competition to reorganise its plant on a modern and necessarily expensive scale.

* * *

Odeon-Gaumont Merger?—The announcement that Odeon Theatres have under consideration an offer to the ordinary shareholders of Gaumont-British Picture Corporation, and that negotiations are proceeding to acquire the interests of the Ostrer group, including the voting shares of Metropolis and Bradford Trust (which holds 2,915,000 of the 5,000,000 10s. ordinary shares of Gaumont-British), did not fall on unsuspecting ears in the City. For some weeks past, reports have been current that some form of merger between the two groups is under discussion. It now rests with the accountants and valuers to produce their figures, and a formal offer is not expected until the end of March or early in April. Theirs will not be a light task, for on the one hand the Gaumont-British group is highly complicated, while the Odeon group is fairly integrated (and will be even more compact when a further 82 cinemas are acquired from Odeon Cinema Holdings). Hence the terms of the merger (which may well take the form of an offer of shares by a new holding company to the shareholders of the constituent concerns) must remain an open question for the moment. Complexity, however, does not end there. Since its costly adventures into film production, Gaumont-British has been unable to pay ordinary dividends for three successive years, and preference payments were covered in 1937 and 1938 with lean margins. The Odeon Theatres group, on the other hand, has grown rapidly, but since the company was formed in 1937, only one accounting period has elapsed. Agreement on the basis of the respective earnings records of the two companies, therefore, will present obvious difficulties. It may also be recalled that the decision of the Board of Trade regarding the application for an inspection of the company's affairs is still awaited. And the proposed merger has obvious relevance for the Associated British Picture shareholders. In 1936, this company acquired 250,000 non-voting shares in Metropolis and Bradford Trust, and an option to acquire the majority holding of 5,100 voting shares owned by Mr. Isidore Ostrer, at a later date. The second part of this deal has never been carried through. Is it, therefore, to be presumed that the consent of other holders of voting shares which may not have been accorded to the Associated British Picture deal would be forthcoming in the event of a Gaumont-Odeon merger?

* * *

Cordoba Central Reorganisation.—With commendable promptitude after the final passing into law of the purchase of the Cordoba Central Railway by the Argentine Government, the directors have issued the broad details of the necessary reorganisation plan. The present capital structure is relatively simple. Some £8,000,000 of 4½ per cent. first debenture stock (on which there are interest

arrears outstanding) is in issue, together with £6,376,791 of 5 per cent. income debenture stock and £6,178,355 consolidated income stock. The proposed new capital will consist only of £8,000,000 3½ per cent. debenture stock and £1,903,115 of "B" debenture stock, entitled to residual income and assets. First debenture stockholders will receive the same amount of 3½ per cent. stock, but in consideration for waiving the 7½ per cent. premium on redemption they will receive 2½ per cent. in cash. The income debenture and the consolidated income stockholders will receive for each £100 nominal £25 and £5 respectively of the new "B" stock. The company's future revenue will be derived from the purchase consideration for the railway. This totals £9,500,000, and comprises £8,800,000 Argentine State Railways 4 per cent. sterling bonds (which also carry a 1 per cent. sinking fund), some £700,000 in cash, and an unspecified sum in respect of stores. Gross income will thus amount to at least £352,000, apart from revenue arising from the investment of any cash balance after paying £200,000 to the first debenture stockholders. The latter will receive £280,000 gross annually, and the balance of available revenue would suffice to meet 3½ per cent. on the "B" debenture stock. Hence the first debenture (which in future will be tantamount to an Argentine Government stock) will yield £6 4s. per cent. at the present price of 59, after adjustment for the 2½ per cent. cash payment, compared with a flat yield of approximately 5 per cent. on Argentine 3½ per cent. Conversion. And since the company will have power to purchase stock in the market (as the sinking fund payments on the State Railway bonds are met) the residual assets and earnings of the "B" stock, which is valued at 45 on the basis of its constituent stocks, should assume greater importance in the future.

* * *

The Week's Company Profits.—The number of company reports is again small this week, and our analysis of profit and loss accounts on page 106 includes no more

than 18 companies, excluding banks and companies for which comparable figures are not available. The total net profits of these companies amount to £1,994,000, of which nearly half is due to the British Tobacco Company (Australia). This total is 11 per cent. less than the corresponding profits of £2,241,000 earned by the same companies a year earlier. Aggregate net profits of 41 companies reporting in 1939 amount to £5,098,000, against £6,118,000, and show a decline of 16½ per cent. The results are discussed on page 89 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—Reports of company meetings will be found in this week's issue from page 95. At the *British-American Tobacco* meeting, Sir Hugo Cunliffe-Owen emphasised the difficulties of the Far Eastern trade. Although he was not hopeful that business would be easier during the current year, the chairman expressed confidence in the future. Mr J. Ernest Cox, at the *Jute Industries* meeting, suggested that as the railways asked for a "square deal," Dundee might ask for a "fair deal" against Eastern competition. He acknowledged, however, the assistance of Government orders for sandbags to the jute industry. At the *Cleveland Petroleum* meeting Mr E. A. Radford disclosed that lower trading profits had been due to successive reductions in motor spirit prices, and to the 9d. per gallon duty on commercial alcohol in the 1938 Budget. The importance of recent developments near their southern boundary was stressed by Mr Walter Maclachlan at the *Apex (Trinidad) Oilfields* meeting. Sir Edmund Davis, addressing *Fanti Consolidated Investment* shareholders, described the past year's profits as satisfactory, for few opportunities for profitable share transactions had arisen. At the *Transvaal and Delagoa Bay* meeting, the chairman referred to inadequate railway facilities, which prevented a substantial increase in the collieries' output last year. Remedial measures are, however, in progress.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
JANUARY 24 JANUARY 26

A MARKET almost barren of features has been distinguished by the strength of gilt-edged, the success of the Southern Railway issue, the response of Woolworth to the increased distribution and of Attock oil to good development news. The industrial markets have been idle, lacking any decided trend. And the rise in gilt-edged, although it originated in the transfer of gold to the Exchange Equalisation Account, has subsequently been due to the "snowball" effect of bear covering.

The initial rises in gilt-edged amounted to half a point for the undated list, and after Tuesday's check a strong technical advance produced similar rises in War Loan and Consols and Funding 4's. New Zealand issues maintained their recent recovery.

In the foreign bond market, further offering of German bonds was experienced, and by mid-week "Dawes" 5 per cent. had lost 1½ points and Young 4½ per cent. 1½ points. Some interest was shown in Brazilian list on vague reports of a resumption of partial interest payments. After a steady opening Japanese issues were again sold on a market bare of support.

*

The new Southern Railway debenture was the main factor among home rail stocks this week. Prices of existing issues were promptly adjusted to the

attractive terms of the new stock. The two Southern 4 per cent. issues each lost three points on Monday, but the new stock closed at ½ premium on Thursday. "Berwick" guaranteed stocks made no further progress on the full payments; on Wednesday, indeed, the junior issue again lost one point. The prospect of a rise in fares encouraged London Transport "C" stock at first, but it was not held. The Argentine rail group was stimulated by the rise in Cordoba debentures on the publication of the outline reorganisation plan (discussed on page 86). Despite reports that the exchange would be maintained at 16 pesos to the £ in 1939, however, other debentures lost ground later in the week.

Industrial shares were again idle and irregular. Turnover remained small, and though price changes were unimportant, the general tendency was slightly towards lower levels. Iron and steel shares opened firm, but turned weaker, partly on the lower output figures for December. Both United Steel and John Summers lost ground on the John Summers' scheme (discussed on page 86), but at the beginning of the week Tube Investments were firmer. Coal shares were slightly better, until a reaction was caused by the September quarter output figures. Engineering shares were uninteresting, and price movements irregular. With some exceptions, electrical equipment shares were uncertain. Motor shares recovered on



A DIVISION OF
THE NATIONAL
GROUP OF
UNIT TRUSTS

LARGEST
UNIT TRUST
ORGANISATION
IN THE
COUNTRY

A New Investment
for Savings:

UNIVERSAL

Second Unit Trust

Certificates

WRITE NOW for Booklet, including the full Trust Deed,
on which all transactions are based, to:—

COMMERCIAL FIXED TRUST LTD.

Member of the Unit Trust Association

125, Pall Mall, London, S.W. 1.

Telegrams: Comfix, Piccy, London. Telephone: Whitehall 4657.

the November registration figures, and in mid-week Leyland rose in anticipation of the full report. Aircraft issues derived no better support, and prices tended to ease through lack of interest. Though quotations were steadier on Wednesday, textile shares were mostly marked down, and rayon issues were also lower. Brewery issues strengthened at first on provincial support, but in mid-week sellers reappeared on a small scale. Tobacco issues remained firm, and Gallaher gained slowly. The stores group was undecided, except for Woolworth, which rose in anticipation of the profits statement, and improved further when it appeared, though profit-taking caused a mid-week reaction. For a time Marks and Spencer rose in sympathy. Several provision and catering shares were a shade firmer. Tate and Lyle continued to advance, and Liebig's were supported on the results. Miscellaneous issues again made a dull and irregular showing. Lever and Unilever were depressed on Amsterdam selling, while De la Rue were a firm feature. Gaumont-British and Odeon rose on the merger announcement. The behaviour of bank shares was mixed. Hongkong and Shanghai reacted after improving on the maintenance of the dividend, while Westminster recovered after initial disappointment with the profits.

★

After a quiet start, oil shares improved on Tuesday to the accompaniment of a slightly better turnover, but interest slackened again in mid-week. The feature of the week was the spurt in Attock on news of production from a further well. Rubber shares remained dull, most changes being downwards on small scattered sales, and tea shares were disappointing.

The mining markets were no more lively than other sections, apart from a slightly more cheerful tendency in late dealings on Tuesday. After a firm tone early on Monday, Kaffirs tended to ease, largely under the influence of Cape selling of the developing mines. After Johannesburg had closed, local support reversed the trend, but subdued conditions returned in mid-week. West African issues were relatively strong, on the Ashanti issue. Rhodesian copper shares were dull and mainly lower. Base metals remained neglected.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
Jan. 6	5,620	6,645	79.4	123.0
Jan. 9	6,070	7,185	79.4	122.7
Jan. 10	5,480	7,215	79.3	122.7
Jan. 11	5,065	6,660	79.2	122.9
Jan. 12	5,055	6,375	79.3	122.8
1939				
High ..	...	...	80.7	123.5
Low ...	...	...	79.2	122.7

* Approx. total recorded in S.E. List. † July 1, 1935 = 100. ‡ 1924 = 100.

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of industrial equity prices (which now covers 160 instead of 151 securities, owing to the annual revision of the index) stood on Tuesday, January 10, 1939, at 61.1, against 61.5 on December 30, 1938, and 61.3 a month ago. The corresponding average yields are 6.16 (or

6.11 before giving effect to the annual revision), 6.13 and 6.13 per cent. We give below a selection of the separate indices, including a new group for aircraft manufacturing shares:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Dec. 13, 1938	Dec. 30, 1938	Jan. 10, 1939	
Banks & discount companies (10)	108.1	109.4	108.6	100.6
Aircraft mfg. (5)	...	...	...	...
Cotton (3)	22.5	23.6	21.2	37.1
Iron & steel (19)	51.6	54.1	53.5	66.4
Oil (1)	76.8	78.1	79.1	92.1
Home rails (4)	34.3	35.0	32.6	71.0
Stores, etc. (18)	54.6	54.0	53.3	66.4

Group	Yield (%)			Prices 1938 Low
	Dec. 13, 1938	Dec. 30, 1938	Jan. 10, 1939	
Banks & dis. cos.	4.34	4.29	4.27	100.6
Aircraft mfg.	...	...	...	...
Cotton	3.12	3.14	3.88	22.4
Iron and steel	7.93	7.57	6.87	45.4
Oil	7.88	7.72	7.62	67.1
Home rails	9.94	9.65	10.63	33.3
Stores, etc.	6.08	6.22	6.19	51.9

† Not fully comparable with previous yields, owing to revision of the index.

New York

WALL STREET now appears to be hedging on the industrial prospects for the spring, and also on the revised estimates of the importance of the defence programme for the aircraft industry. Stock prices this week have oscillated, but their downward trend was definitely established in mid-week, when the Dow industrial average fell nearly two points and the rail index by over a point. With adverse fourth-quarter earning statements still to appear, some professional caution is doubtless salutary, and while the long run outlook for the market is regarded as favourable, few operators are disposed to increase their commitments at the present moment. In the mid-week setback, Chrysler suffered a fall of \$3½, while U.S. Steel fell \$2. Aviation issues, on the other hand, had displayed special weakness earlier in the week and were among the more resistant groups on Wednesday. Rail stocks reflected doubts whether relief legislation would be considered until next year, despite the satisfactory estimate of current car loadings. Speculative rail bonds were also weak, although Treasury issues remained steady. According to *Iron Age*, steel mill activity for the current week is running at 52½ per cent. capacity, against 52 per cent. last week, and buying is described as "hand to mouth."

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

	1939		Dec. 28, 1938	Jan. 4, 1939	Jan. 11, 1939
	Low Jan. 11	High Jan. 4			
347 Ind'l's ...	109.2	114.5	111.3	114.5	109.2
32 Rails ...	29.6	32.5	30.1	32.5	29.6
40 Utilities ...	80.3	80.8	77.5	80.8	80.3
419 Stocks ...	91.5	95.6	92.6	95.6	91.5
Av. yield * ...	3.49%	3.31%	3.42%	3.31%	3.49%

* 50 Common Stocks.

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

Jan. 5	Jan. 6	Jan. 7	Jan. 9	Jan. 10	Jan. 11
128.7	128.6	126.9	125.7	125.9	123.6

19.9 High: 130.3 January 4th. Low: 123.6 January 11th

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Jan. 5	1,500	9,450	209
" 6	950	7,690	185
" 7	630	4,400	119
" 9	1,100	6,390	180
" 10	710	6,290	122
" 11	920	6,460	166

* Two-Hour Session.

New York Prices

	Close Latest Jan. 5, 1939	Close Latest Jan. 12, 1939
1. Rails and Transport		

Atchafalaya	42½	38
Balt. & Ohio	8½	7½
B.M.T.	11½	12
Can. Pacific	6½	5½
Ches. & Ohio	39½	35½
G.N. Ry. Pl.	30½	27½
Illinois Cent.	20	18
N.Y. Central	22	20½
Norfolk Pac.	14½	13
Pennsylv. R.	24½	21½
Southern Pac.	21	18½
Southern Ry.	22½	20
Union Pac.	96½	95
Greyhound	19½	18½

2. Utilities and Communications		
Am. W. Works.	13½	13½
C. & S.	15½	15½
Con. Edison	31½	30½
Col. Gas & El.	7¼	6¾
Edison & S.	12	11
Nat. Pwr. & Lt.	8½	7½
N. American.	23	22½
Pac. Gas & El.	29½	29
Pac. Lighting	43½	43
Pub. Serv. N.J.	33½	32½
Stan. Gas & El.	34	31½
United Corp.	3¼	3½
Un. Gas Imp.	12	11½
Amer. Tel.	150	150½
Internat. Tel.	9	9½
Westn. Union	24½	22½
Radio	8½	7½
" B. Pref.	67½	65

3. Extractive and Metal		
Am. Mol. Mill.	22½	20½
Beth. Steel	79½	74½
Beth. Steel P.	114	113
Republic St.	25	23
U.S. Steel	69½	66
U.S. Steel Pl.	118½	117½
Alaska Pneu.	10	9½
Am. Metal	39½	36
Am. Smelting	53½	49
Anacosta	36	33
Bolin Alum.	28½	26½
Cerro de Pas.	52½	47½
Int. Nickel	55½	53½
Kennecott	44½	40
Patino Mines	114	109
Tex. Gfr. Sul.	32½	31½
U.S. Smelt.	65½	59½
Vanadium	30½	27½
Atlantic Refg.	22½	22½
Phillips Petr.	43½	41½
Shell Union.	14½	14½
Socony Vac.	13½	13
Stan. Oil Cal.	28½	28
Stan. Oil N.J.	52	50½
Texas	47½	45½

4. Manufacturing		
Briggs	31½	28½
Chrysler	83½	76½
Elec. Autolite	34½	32½
Gen. Motors.	50½	47½
Hudson Mtr.	8½	7½
Nash Kelvinr.	9	8½
Packard Mtr.	4½	4½
Bendix Avtn.	28	26½
Boeing Airplan.	32	31½
Douglas Air.	76½	71½
United Aircraft.	39½	37½
Air Reduction	65½	62½
Allied Chem.	190	185½
Col. Carbon	92	88½
Dupont	156½	148½
Un. Carbide	89½	86½
U.S. Ind. Alc.	24½	21½
Allis Chalmers	48	42½
Gen. Electric	44	40½
West. Elec.	119½	113½
American Can.	99½	98½
Addressograph	27½	26
Caterpillar	46½	44
Cont. Can.	43½	42
Ingersoll Rnd.	117	112
Int. Harvester	59	55½
Johns Manville	105	100
Am. Radiator	18	16½
Corn Prods.	66	65½
J.I. Case & Co.	93	89½
Glidden	24½	22½
G. Am. Trans.	60½	58½
Allied Stores	11½	10½
Celanese of A.	24	22½
Ind. Rayon	25½	26½
Colgate Palm.	14½	13½
Eastm'n Kdk.	18½	18½
Gillette	8½	7½
Loews	53½	48½
20th Cen. Fox	25½	23½

5. Retail Trade, etc.		
Mont. Ward	50½	48½
J. C. Penney	77½	77
Sears Roebck	74½	73½
Walgreen	18½	18½
Woolworth	50½	49½
Borden	16½	16½
Gen. Foods.	39½	38½
Kroger Grco.	22½	22½
Nat. Biscuit	25½	25
Nat. Dairy	13½	13
Am. Tob. B.	89	88
Lorillard	21½	22½
Reyn. Tob. B.	44½	43½
Nat. Distillers	27½	27½
Schenley Dis.	17	15½

6. Finance		
Comed. Credit	56½	52½
Atlas Corp.	84	81½
Com. Inv. Tr.	59	55½

Canada

CANADIAN stock markets showed little vigour during December. The brisk trading which followed the Munich settlement gave place in the middle of November to a sagging tendency on the revival of political tension in Europe. The slight upturns which have since occurred have proved short-lived and practically all the advances between the beginning of October and mid-November have now been lost, and the firmer tendency after Christmas was not enough to close the gap. Speculators

continue to favour aircraft stocks and steel issues have also improved. A sharp advance occurred in western oil stocks following the announcement that new wells in Turner Valley oilfield had come into production. But stocks of most other Western companies have reacted on the gloomy outlook for western agriculture revealed at the wheat marketing conference at Winnipeg. The mining market has enjoyed bursts of activity, but no consistent rise in prices. The Bureau's "Investors' Index" reached a peak of 112.3 on November 12th, but it dropped to 105.3 on December 9th, and after rising to 107.4 on December 14th, again slipped back to 105.8 on December 21st. The bond market has remained relatively firm and for the week ending December 22nd the Bureau's index for long-term Dominion issues was 117.5, compared with 118.0 for the corresponding week of November and 115.8 for the corresponding week of December, 1937.

BY STOCK EXCHANGE INTRODUCTION

O.K. Bazaars (1929), Ltd.—Particulars of issue of 300,000 6 per cent. cumulative £1 preference shares. Taken by London and Yorkshire Trust at 19s. 7d. net. Dividends on new shares due May 31st and November 30th. First payment of £2 4s. 8d. per cent., May 31, 1939.

H. Polliack and Company, Ltd.—Issued capital, 1,340,104 5s. ordinary shares and 75,000 £1 8 per cent. cumulative preference shares (both South African currency); also £300,000 6 per cent. registered secured notes (English currency), redeemable at various dates and rates 1941–44, and finally at par 1948. A South African wholesale and retail house specialising in musical instruments, electrical appliances, etc. Profits, after depreciation and South African taxation, years to May 31: 1937, £73,376; 1938, £87,945. Net assets, £578,071.

PRIVATE PLACINGS

Hampton Court Gas Company.—This company has placed privately £15,000 4 per cent. perpetual debentures to provide funds for development.

Great Universal Stores.—There has been placed privately £250,000 new 4½ per cent. first debenture stock.

BY TENDER

Brighton, Hove and Worthing Gas Company.—Sale by tender of £25,000 4 per cent. perpetual debenture stock at a minimum of 102.

Watford and St. Albans Gas Company.—Sale by tender of £100,000 4 per cent. preference stock, redeemable at par July, 1959. Minimum price, cubic feet; 1937, 1763.1 millions cubic feet; 1937, 1763.1 millions cubic feet. Accumulated funds, £80,902.

ISSUES TO SHAREHOLDERS ONLY

Ashanti Goldfields Corporation.—Issue of 250,000 4s. shares at £3, to holders at January 31st, in proportion of one for 20 held.

Tavoy Tin Dredging.—Issue at par of 215,000 2s. shares at rate of one for every ten held on December 28, 1938.

South African Distilleries and Wines, Ltd.—It is proposed to issue 100,000 £1 ordinary shares to holders on January 10th at £2 (to rank *pari passu* with existing ordinary shares) in proportion one new for ten shares held. To rank for final dividend for year to June 30, 1939.

Trust Houses, Ltd.—Issue of 113,982 new £1 ordinary shares at par, in proportion of one new for ten shares held on December 28, 1938. These new shares rank for final dividend for year to March 31, 1939, but not for interim paid January 9th.

FORTHCOMING ISSUE

British Rola, Ltd.—The list of applications will open and close on January 18th, for an offer for sale by Whitehead Industrial Trust of 75,000 6½ per cent. redeemable cumulative preference shares of £1 each at par and 400,000 ordinary shares of 2s. each at par in British Rola, Ltd. The business is that of electrical and general engineers, tool makers and stampers.

SHORTER COMMENTS

Company Results of the Week.—Net profits of BRITISH TIN INVESTMENT CORPORATION, reduced from £337,557 to £149,318, have been affected by low and unstable prices at the beginning of 1938, and low production quotas at the end. The market value of the securities, however, is in excess of book cost. GREAT NORTHERN INVESTMENT TRUST also show a satisfactory appreciation in the portfolio above book values, although net revenue has fallen from £78,540 to £76,934. Stability of profits is shown by BRITISH TOBACCO COMPANY (AUSTRALIA), whose net earnings are practically unchanged at £911,479. Owing to an increasing turnover in proprietary articles, and despite the difficulties in cattle supplies, LIEBIG'S EXTRACT OF MEAT COMPANY reports total profits of £531,910 against £448,360, though a sharp rise in taxation reduces net profits from £271,009 to £259,678. MICHAEL NAIRN AND GREENWICH, the oilcloth and linoleum holding company, have experienced a ½ per cent. drop in net profits, to £241,196. Total profits of JOSEPH NATHAN AND COMPANY are a little higher at £138,811, but net profits are slightly lower at £90,647 owing to the increase in taxation. The year 1937–38 was one of difficulty for RIO DE JANEIRO FLOUR MILLS, although the quantities of wheat handled were larger than in 1936–37. Total profits amount to £139,359 against £151,348. SOUTH AFRICAN DRUGGISTS report profits of £50,380 for a seven-month period. This suggests that the rate of profits has been maintained, for £78,124 was earned for dividend in the year 1937.

BANKING PROFITS & DIVIDENDS

Lloyds Bank, Ltd.—Profit for 1938, £1,705,300 against £1,832,501 for 1937. Dividends 12 per cent. for year on "A" shares and the maximum of 5 per cent. on "B" shares (as before). To contingencies, £300,000 (£400,000). To bank premises, £100,000 (same). Carry forward raised from £524,705 to £527,456.

National Provincial Bank, Ltd.—Net profit 1938, £1,771,785 against £1,874,960 for 1937. Ordinary dividend maintained at 15 per cent. for year. To bank premises, £100,000 (same). To pension fund, £250,000 (same). To reserve, nil (against £500,000). Carry forward £573,588 against £573,715.

Westminster Bank, Ltd.—Net profit, 1938, £1,557,162 against £1,750,589 for 1937. Dividends absorbed £1,126,595 against £1,271,508. Rate, 18 per cent. on £4 shares against 20 per cent. (which included a cash bonus of 2 per cent.). Dividend on £1 shares, 12½ per cent. as before. To contingencies, £100,000 (£200,000). To pension fund, £300,000 as before. Carry-forward raised from £496,018 to £526,585.

Union Discount Company of London, Ltd.—The company is maintaining its dividend for 1938 at 10 per cent. Staff fund, £15,000 (same). Carry forward raised from £203,264 to £250,048. Net profits are about £10,620 higher at £261,159.

North of Scotland Bank.—For 1938 net profits of bank (affiliated to Midland Bank) were £242,077, a decline of £4,071. Total dividend maintained at 16 per cent. Other allocations unchanged, as follows: To bank buildings, £5,000; superannuation, £10,000; dependents' fund, £5,000; reserve, £35,000. Forward £103,843 against £99,326.

Hongkong and Shanghai Banking.—Final dividend £3 per share, making £5 10s. per \$125 share for 1938 (the same as for three preceding years). Written off bank premises account, \$1,000,000. Carry forward raised from \$3,383,004 to \$3,400,000.

Union Bank of Australia.—Final dividend 4 per cent., making 7 per cent. for year as before, but for 1937 a special centenary bonus of 2 per cent. was also paid. Carry-forward raised from £146,864 to £157,264.

(Continued on page 106)

Industry and Trade

Anglo-German Coal Discussions.—In contrast to the international trade in iron and steel, which is regulated by market and price agreements, competition in the coal export trade remains intense, especially between Britain and Germany. Due partly to heavy export subsidies and partly to the considerable rise in British prices, Germany has progressively increased her share in the coal shipments of the principal European exporting countries. As was shown in an article on the prospects for the conclusion of a European coal cartel in *The Economist* of September 10, 1938, Germany's share of the aggregate exports (excluding bunkers) of Britain, Germany, Poland, Belgium, Holland, Czecho-Slovakia and France rose between 1929 and 1937 from 23.4 per cent. to 37.9 per cent., while Britain's proportion declined from 53.6 per cent. to 40.3 per cent. There have been many discussions on the possibility of forming a European cartel, but so far all attempts at concluding an agreement have foundered on the choice of the period to be taken as a basis for the allocation of export quotas. Germany has been holding out for a bigger share of the total exports of the seven prospective cartel countries than the British industry was willing to concede. In recent discussions, however, the gap between the views of the industries in the two countries appears to have been narrowed. The British coal-mining industry is now understood to favour average exports during the past ten years, and Germany an average of the past three years, as the basis of quota allocations. With a modicum of good will this gap could be bridged. The outcome of the discussions now proceeding will provide a test of Germany's professed willingness to co-operate with British industry.

Fall in Iron and Steel Production.—Activity in the iron and steel industry suffered a sharp contraction between November and December. Production of pig iron declined from 461,500 tons in November to 445,800 tons in December. A year ago output rose during the same period from 762,300 tons to 783,800 tons. The output of crude steel declined by almost a quarter, from 860,000 tons in November to 655,700 tons in December. During the corresponding period in 1937 output fell by only 6.3 per cent., from 1,178,300 tons to 1,103,800 tons. It is doubtful whether consumption showed a proportionate decline, however, and there is some ground for believing that purchases towards the end of the year were reduced to a minimum in the expectation of a reduction in prices in the current year. The figures for January should give a better indication of the trend of

KANSALLIS - OSAKE - PANKKI

(NATIONAL JOINT STOCK BANK)
ESTABLISHED 1889

PAID-UP CAPITAL AND FMK
RESERVES - - - 541,000,000
DEPOSITS AND CREDIT
BALANCES December, 1937 4,129,000,000

Head Office : HELSINKI (Helsingfors) FINLAND

Our large network of branches, comprising 202 BRANCHES, ensures prompt and efficient execution of your collections and payment orders

Telegraphic Address : KANSALLISPANKKI

consumption. It is expected that the first batch of Government orders for the construction of steel shelters will be placed fairly soon, and these orders will naturally assist the industry in maintaining its activity.

Discussions on Wheat.—This week the International Wheat Advisory Committee has been discussing in London the problems of a record wheat crop. The supplies of wheat available in exporting countries for shipment abroad are estimated to have increased from 770 million bushels in 1937-38 to 1,135 million bushels in the current season, an amount which represents about twice the expected purchases of importing countries in 1938-39. These countries have in recent years considerably increased their acreage under wheat, and have thus aggravated the difficulties of the exporting countries, but the primary cause of the

WHEAT SUPPLIES AND CONSUMPTION (million bushels)

	World Exportable Surplus, including Carry-over	World Import Requirements
1928-29	1,376	888
1935-36	711	502
1936-37	688	599
1937-38	714	524
1938-39	1,135	540

present glut is the occurrence in a single season of exceptionally good yields of wheat in nearly every country, Australia being the only important exception. It is doubtful whether any agreement on export quotas could be enforced in the present season among exporting countries, since the United States and Canada have already exported large quantities of their current crop, while Australia and the Argentine have barely begun their exporting season. However, it is announced that the Advisory Committee has decided to summon a conference of the countries represented on the International Wheat Council.

Suspension of Russian Flax Exports.—The news that the Soviet Government had suspended further exports of flax from the 1938 crop was hardly unexpected by the linen trade. Russian supplies of flax and flax tow have been shrinking for some months, due probably to the increasing domestic requirements. The embargo will, nevertheless, seriously affect the linen industry in this and other countries; as the accompanying table shows, the British industry has drawn in past years a large proportion of its raw material from Russia. The fears of such an

U.K. Imports of Flax

	January-November		
	1936 Tons	1937 Tons	1938 Tons
U.K. imports of flax	39,031	34,511	35,902
of which from			
U.S.S.R.	6,366	6,206	2,642
Latvia	11,352	6,098	7,911
Belgium	14,718	15,080	16,593
Estonia	2,047	1,852	2,086
U.K. imports of flax tow	17,792	15,233	15,604
of which from			
U.S.S.R.	11,428	8,279	3,072
Latvia	3,004	2,376	2,879

embargo and the news of the decision have been responsible for a sharp rise in the price of flax in recent weeks; Slanetz medium, first sort, which was quoted at £94 per

ton shortly before Christmas, has now risen to £100 per ton, and other types have been similarly affected. The British linen trade has for some time past suffered from the competition of cheap cotton goods, and the present rise in the price of flax is therefore a serious blow to the linen manufacturers.

Coal-mining Profits Maintained.—The diagram on page 92 shows, quarterly from 1927, the course of net costs and proceeds per ton in the coal-mining industry, as well as changes in the output per man-shift, on the basis of the quarterly ascertainments. The area between the lines indicating costs and profits represents profits (if shaded) or

losses (if unshaded). But the net cost as computed does not include items such as interest on debentures and loans, which total about 3d. per ton. Between 1929 and 1935, when proceeds per ton showed a downward trend, the industry invariably operated at a profit (before deducting debenture interest, etc.) in the winter and at a loss in the summer. These variations are due to the seasonal changes in demand, which is highest in the winter and lowest in the summer. Since 1935, however, the industry has consistently shown a credit balance, but the improvement in the profitability of coal-mining has been accompanied by a marked increase in proceeds per ton, due partly to the increase in demand, but chiefly to the control of prices and production which virtually eliminated price-cutting. The increase in proceeds per ton was arrested last year, when a slight fall

The Royal Bank of Canada

(Incorporated in Canada in 1869 with Limited Liability)

General Statement, 30th November, 1938

LIABILITIES		ASSETS	
Capital stock paid up	35,000,000.00	Gold held in Canada	12,979.82
Reserve fund	20,000,000.00	Subsidiary coin held in Canada	1,314,935.16
Balance of profits carried forward as per Profit and Loss Account	2,721,409.82	Gold held elsewhere	323,479.95
	22,721,409.82	Subsidiary coin held elsewhere	3,035,810.57
Dividends unclaimed	16,831.66	Notes of Bank of Canada	12,093,077.75
Dividend No. 205 (at 8% per annum), payable 1st December, 1938	700,000.00	Deposits with Bank of Canada	60,949,061.65
	23,438,241.48	Notes of other chartered banks	1,273,185.81
		Government and bank notes other than Canadian	22,994,508.22
Deposits by and balances due to Dominion Government	1,446,609.61	Cheques on other banks	26,394,958.81
Deposits by and balances due to Provincial Governments	9,001,230.56	Deposits with and balances due by other chartered banks in Canada	4,002.09
Deposits by the public not bearing interest	356,526,649.64	Due by banks and banking correspondents elsewhere than in Canada	71,891,264.92
Deposits by the public bearing interest, including interest accrued to date of statement	422,500,481.66		98,290,225.82
Deposits by and balances due to other chartered banks in Canada	278,077.25	Dominion and Provincial Government direct and guaranteed securities maturing within two years, not exceeding market value	106,368,311.03
Deposits by and balances due to banks and banking correspondents in the United Kingdom and foreign countries	14,355,708.25	Other Dominion and Provincial Government direct and guaranteed securities, not exceeding market value	153,333,715.19
Notes of the bank in circulation	804,108,756.97	Canadian municipal securities, not exceeding market value	7,687,405.60
Bills payable	26,396,638.74	Public securities other than Canadian, not exceeding market value	20,924,704.31
Acceptances and letters of credit outstanding	46,627.40	Other bonds, debentures and stocks, not exceeding market value	34,019,951.18
Liabilities to the public not included under the foregoing heads	18,532,001.88	Call and short (not exceeding 30 days) loans in Canada on bonds, debentures, stocks and other securities of a sufficient marketable value to cover	12,964,423.50
	542,445.14	Call and short (not exceeding 30 days) loans elsewhere than in Canada on bonds, debentures, stocks and other securities of a sufficient marketable value to cover	7,651,625.32
			543,237,400.88
		Current loans and discounts in Canada, not otherwise included, estimated loss provided for	198,202,903.27
		Loans to Provincial Governments	1,159,796.12
		Loans to cities, towns, municipalities and school districts	18,848,358.65
		Current loans and discounts elsewhere than in Canada, not otherwise included, estimated loss provided for	101,629,915.30
		Non-Current loans, estimated loss provided for	2,704,226.83
		Bank premises, at not more than cost, less amounts written off	322,545,200.17
		Real estate other than bank premises	14,756,029.06
		Mortgages on real estate sold by the bank	2,473,530.44
		Liabilities of customers under acceptances and letters of credit as per contra	751,206.68
		Shares of and loans to controlled companies	18,532,001.88
		Deposit with the Minister of Finance for the security of note circulation	3,787,881.34
		Other assets not included under the foregoing heads	1,475,000.00
			506,461.16
			908,064,711.61

NOTE.—The Royal Bank of Canada (France) has been incorporated under the laws of France to conduct the business of the Bank in Paris, and the assets and liabilities of The Royal Bank of Canada (France) are included in the above General Statement.
M. W. WILSON, President and Managing Director. S. G. DOBSON, General Manager.

AUDITORS' REPORT

TO THE SHAREHOLDERS, THE ROYAL BANK OF CANADA: We have examined the above Statement of Liabilities and Assets as at 30th November, 1938, with the books and accounts of The Royal Bank of Canada at Head Office and with the certified returns from the branches. We have checked the cash and the securities representing the Bank's investments held at the Head Office at the close of the fiscal year, and at various dates during the year have also checked the cash and investment securities at several of the important branches. We have obtained all the information and explanations that we have required, and in our opinion the transactions of the Bank, which have come under our notice, have been within the powers of the Bank. The above statement is in our opinion properly drawn up so as to disclose the true condition of the Bank as at 30th November, 1938, and it is as shown by the books of the Bank.
M. OGDEN HASKELL, C.A., of Haskell, Elderkin and Company } Auditors.
JAS. G. ROSS, C.A., of P. S. Ross and Sons }

PROFIT AND LOSS ACCOUNT

Balance of Profit and Loss Account, 30th November, 1937	\$2,325,176.14
Profits for the year ended 30th November, 1938, after providing for Dominion and Provincial Government taxes amounting to \$1,201,765.36 and after making appropriations to Contingency Reserves, out of which Reserves provision for all bad and doubtful debts has been made	3,696,233.68
	\$6,021,409.82
APPROPRIATED AS FOLLOWS:	
Dividend No. 202 at 8% per annum	\$ 700,000.00
Dividend No. 203 at 8% per annum	700,000.00
Dividend No. 204 at 8% per annum	700,000.00
Dividend No. 205 at 8% per annum	700,000.00
	\$ 2,800,000.00
Contribution to the Pension Fund Society	300,000.00
Appropriation for Bank Premises	200,000.00
Balance of Profit and Loss carried forward	2,721,409.82
	\$6,021,409.82

M. W. WILSON, President and Managing Director.
Montreal, December 20, 1938.

Main Office:
6 LOTHBURY, E.C.2.
E. B. MCINERNEY, Manager.

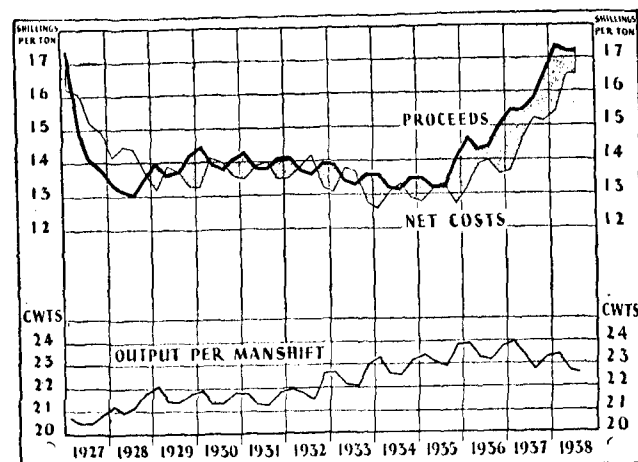
LONDON OFFICES:

West End Office:
2/4 COCKSPUR STREET, S.W.1.
J. A. NOONAN, Manager.

S. G. DOBSON, General Manager.

in demand rendered price-control less effective. Steps are now being taken to tighten the control of domestic selling prices by closer co-ordination between the prices of the various districts, while discussions are taking place between representatives of the British and German coal-mining

COSTS AND PROCEEDS PER TON AND OUTPUT PER MANSHIFT



industries with a view to concluding a European coal cartel which would arrest price-cutting in the export markets. But the improvement in the profitability of the British coal-mining industry and in the wages of coal miners has been due, in the main, to an increase in selling prices, which are now appreciably higher than in 1929. As a result, the fuel bill of British industry has shown a considerable increase. The rise in fuel costs has been serious in the case of industries, such as iron and steel, whose fuel bill represents a substantial proportion of total costs. The problem of reducing costs, therefore, has become urgent. Unfortunately, the reorganisation of the coal-mining industry is still proceeding at a snail's pace, and, as the diagram shows, output per man-shift, for example, has actually tended to decline since the spring of 1937.

Expansion of German Engineering Industry.—Mainly, though not entirely, owing to the speeding-up of re-armament, the capacity and output of the German engineering industry has been rapidly increased in recent years. The value of its output, which did not exceed Rm. 2,800 millions in the best pre-war year, rose from Rm. 4,000 millions in 1929 to Rm. 4,500 millions in 1937 and Rm. 5,500 millions in 1938. The expansion since 1929 was due to the growth of domestic requirements, for whereas the value of exports nine years ago was Rm. 1,500 millions, it reached only Rm. 800 millions in each of the past two years. Nevertheless, the engineering industry is one of the most important of Germany's export trades, accounting for nearly 16 per cent. of her total exports, by value, in 1938, compared with 7.6 per cent. in 1913. The accompanying table, taken from the latest issue of the Reichs-Kredit-Gesellschaft's review of Germany's economic position, shows the trends of domestic and export orders. While export orders have shown a downward trend since the third quarter of 1937, in sympathy with the shrinkage in international trade, this decline has been more than offset by the rapid expansion in domestic orders. But the growth of the industry's labour supply has not kept pace with the growth in demand. Labour was already scarce at the end of 1937, and last year's increase in output was

NEW ORDERS FOR MACHINERY (1928 = 100)

	Home†	Export‡	Total
1932	24.5	50.5	33.0
1936	131.2	63.8	109.1
1937	163.9	84.4	137.9
1937—Third quarter	162.0	81.5	135.6
1938—First quarter	171.4	72.7	138.9
„ Second quarter	195.4	61.9	151.3
„ Third quarter	234.7	65.6	178.8

† Including Austria since April, 1938. ‡ Excluding Austria since April, 1938.

made possible mainly by mechanisation and by an increase in working hours, which averaged 8.35 hours per day last autumn. A special Commissioner with plenary powers has recently been appointed for the industry in order to speed up production still further.

British Metal Stocks.—Stocks of copper, tin, lead and spelter in official warehouses of the London Metal Exchange have fluctuated considerably in the past twelve months. As these stocks provide the basis for the dealings on the L.M.E., their size must be taken into account in an attempt to assess the probable course of metal prices. Lead and spelter stocks both increased in the past year, but even at their present level they are not high. More significant than the comparatively low level of total copper stocks is the change which has taken place in the last two years in their composition. Stocks of refined copper at the end of

	Dec., 1936	Dec., 1937	June, 1938	Dec., 1938
	(In long tons)			
Copper:				
Refined	45,519	9,968	6,263	4,551
Rough	757	21,561	29,286	25,054
Tin	1,259	2,438	6,824	9,392
Lead:				
Duty free	2,291	3,072	3,210	3,028
In bond	3,795	3,932	6,184	8,025
Spelter:				
Duty free	5,887	3,528	2,462	6,809
In bond	11,545	16,654	20,698	18,572

December were only one-tenth of their level in December, 1936, and this shortage is reflected in the increased premium on electrolytic copper. Stocks of tin in official warehouses of the L.M.E., after doubling in 1937, have increased nearly fourfold in 1938, due largely to the holdings of the buffer pool, so that these reserves cannot be regarded as part of the regular supply. Taken as a whole, therefore, the British metal stocks at the end of the past year are not high enough to exercise a downward pressure on the price level, and they may prove too low to check an advance if a general revival of buying takes place.

Stability in Wool Prices.—The latest estimates of the world wool clip in 1938-39, given in the table below, show that the prospective fall in Australian supplies is slightly larger than the increase expected from the other four main exporting countries. Stocks in these five coun-

	1931-2	1936-7	1937-8	1938-9
Australia	1,008	983	1,015	938
New Zealand	270	303	297	305
South Africa	313	277	246	261
Argentina	383	379	380	385
Uruguay	106	114	110	114
Total	2,080	2,056	2,048	2,003

tries at the end of last season (June or September) were estimated at 165 million lbs., an increase of 109 million lbs. compared with the end of 1936-37. Total supplies this season are therefore bigger than in 1937-38.

INDUSTRIAL REPORTS

A FEATURE this week has been the publication of proposals to assist the shipping industry; they are discussed on page 65. There is a fairly good demand for coal for heating purposes, but forward purchases, especially for export, are still comparatively small in volume. Under the agreement between the cokemakers and the iron and steel industry, the price of furnace coke was reduced from January 1st. Purchases of steel have not yet shown much expansion but Government contracts for the construction of steel shelters are expected to be placed soon. Activity in the tinplate industry showed little improvement, and the new prices for export will be determined at the meeting of the Executive Committee of the International Cartel later this month. Transactions in cotton goods remain disappointing. The outlook for the jute industry has improved as a result of the agreement between the different sections of the industry in India, which is expected to be followed by a curtailment of output.

Coal

Sheffield.—The market is firm with a good home demand for most classes of fuel. Collieries are working well. There is a heavy call for locomotive hards, and the cold weather has given a spurt to the demand for household coal. Gas coal moves freely, and electricity concerns are taking full deliveries of smalls, which are very firm. Demand for blastfurnace coke continues poor, but there is a heavy call for central heating sorts. In consequence of the falling off in the demand for small coke for industrial purposes makers are endeavouring to recover their former considerable trade with Scandinavia.

The export market continues dull, and plentiful supplies of screened coal are available. Buyers are disinclined to pay present prices, and purchases are limited to bare requirements. Bunkers are very quiet. A moderate demand exists for coke.

Newcastle-on-Tyne.—The prompt trade on the North-East coal market is brisk, but there is no forward export inquiry of any importance. Northumberland steam collieries are very busy with tonnage that has been delayed in loading, owing to the severe frost of last week. In Durham coking collieries are better placed, under a slightly better Italian demand. Patent oven coke is a quiet market in both the home and export sections.

Cardiff.—Shipments have been a little more active at the South Wales docks owing to the increase in shipping capacity. During the week ended January 7th they totalled 376,300 tons, compared with 382,072 tons in the corresponding week last year, and there are prospects of an improvement in respect of the current week. Foreign buyers, moreover, appear to be reconciled to the prospects of a stabilised price level, and inquiries for future deliveries are consequently a little more active. The Alexandria Electricity

Works and Malta are asking for tenders for steam, large peas and beans.

The reduction of 3s. 4d. per ton in the average price of coke for iron and steel works became operative at the beginning of the year. Other quotations are nominally unchanged. It is reported in Cardiff that the negotiations for an International Coal Agreement will be resumed in the next few days.

Iron and Steel

Sheffield.—The market for iron and steel is quietly steady; the volume of business is not large, many consumers of forge and foundry iron continue to buy only sufficient to cover their known requirements, although here and there contracts over the first quarter or even the half-year are being arranged. With prices fixed for an indefinite period, users declare that they see little advantage in forward buying, especially as supplies are plentiful, with ample stocks at furnaces. On the other hand, a sudden heavy increase in consumption might reveal a shortage, leading to difficulties in placing business.

A good demand exists for basic iron, but hematite shows only very moderate signs of revival. In finished iron common and marked bars are the best features.

There is a sound undertone on the steel market, although business is at present rather slow. Basic billets are in fair request, as are small bars and wire rods. Structural steel requirements are limited, but the prospects are regarded as satisfactory.

Production of more open-hearth steel is reported, and there is a record demand for stainless steels. Most of the heavy engineering works are fully employed, but in the lighter sections there is some irregularity.

Middlesbrough.—The expected increase in demand for pig iron has not developed yet, but there is a confident feeling that consumers will shortly be coming on to the market and placing orders. Producers of Cleveland foundry pig iron do not hold large stocks and as the output is intermittent, the statistical position is satisfactory. The needs of local consumers are slowly expanding and as Continental iron is not now available, it is expected that the demand will result in a regular output being maintained. The output of East Coast hematite is required to cover current needs, but there are indications of increasing demand, and buyers still have quantities to take under uncompleted contracts.

Manufacturers of sheets and steel sections required under the A.R.P. schemes are expecting contracts to be placed immediately. Rather more constructional steel is being specified and

whilst the departments providing ship-building steel are anxious for further orders, it is announced that one of the local shipyards has secured a contract for the construction of a 9,300 ton steamer.

Glasgow.—Plants have been busy since the restart after the holidays and work on books gives promise of regular employment for steel makers for some months. In the West of Scotland practically all branches of the industry are interested in the Government A.R.P. programme. The Lanarkshire steel makers are particularly well equipped to supply the steel material required while, of course, the two leading sheet makers in Scotland have their rolling mills in this district and during the recent crisis supplied large quantities of galvanised and corrugated sheets for shelters to be used in all parts of the country. There is also in Glasgow and neighbourhood a number of structural firms who are already designing shelters which can be produced cheaply and expeditiously.

Cardiff.—The provisional returns under the pooling arrangement in the South Wales tinplate trade show that the mills were employed at an average of 45.59 per cent. of capacity in 1938, compared with 72.70 per cent. in 1937. There is little improvement to report in the current demand position, and the new minimum prices for export will not be determined till the Executive Committee of the International Cartel meets this month. Confidence is expressed, however, that the tendency will be towards a better demand, particularly in view of the fact that the stocks at works have been reduced by more than 50 per cent. during the past twelve months. The position in the sheet trade is practically unchanged, and production in the heavy branches of the industry is disappointing.

News from Abroad.—The seasonal slackness of demand on world steel markets is stressed by the political uneasiness and rumours of imminent price reductions by the International Cartel. This expectation, arising from the recent cut in Britain's domestic prices, is not generally considered justified, since the lower British prices affect only a few of the Empire markets. Moreover, it is unlikely that the Cartel will alter prices until the future trend of demand can be better foreseen. Although consumers' purchases were fairly satisfactory during the closing months of last year, quite sizeable requirements have recently accumulated and must be covered sooner or later.

Some preliminary inquiries have come from Scandinavian countries, Holland, the Far East and South



COMMODITY PRICES AND STATISTICS
The tables of Wholesale Prices and Commodity Statistics have been transferred to the "Current Statistics" section; they will be found this week on pages 107 & 108.

JUTE INDUSTRIES, LIMITED

COMPETITION FROM IMPORTED GOODS

DUNDEE ASKS FOR A "FAIR DEAL"

The 18th annual general meeting of Jute Industries, Limited, was held, on the 11th instant, at Winchester House, London.

Mr J. Ernest Cox (the chairman) said that looking back upon the past twelve months he could only describe them as extremely anxious ones, for the amount of new business booked was, until the year was almost ended, exceedingly small and the profit for months on end was negligible. A welcome change came in July, when American customers resumed shipments and the general tone of business improved. By that time, however, three-quarters of their financial year had passed, but the resumption of deliveries was of sufficient volume to make a considerable difference in their profit. The gross manufacturing profit was £30,255 lower, while dividends from subsidiary companies were less by £3,810 than last year. The net profit was £32,363, and directors recommended a dividend of 3 per cent. on the preference shares.

It was a matter for regret that they had been unable to maintain the profit standard and the rate of dividend attained last year, but the state of trade had prevented them from doing so. After five years' continuous improvement in production the tonnage of orders booked last year was 25 per cent. less than in 1937, and the number of bales of raw material used showed a drop of 22 per cent.

OVER-PRODUCTION AND WORKING HOURS

At this time last year stocks of light and heavy goods in Calcutta were 344 million yards, but it gradually increased until September, when it amounted to over 675 million yards. Faced with serious over-production, the Calcutta Jute Mills Association had been endeavouring for a considerable time to come to an arrangement with the mills outside their Association, with the object of curtailing the number of hours worked. No agreement having been reached, the Governor of Bengal promulgated an Ordinance fixing the number of hours which the looms in the jute mills might be worked. As from September 26, 1938, the total number of hours was fixed at 45 per week in the case of mills with over 175 looms, and 72 hours for those with less than 175 looms. Prior to the Ordinance, mills in the Association worked 54 hours, and some of the mills outside the Association as much as 108 hours per week.

Owing to excessive production and decreased consumption, the Indian mills had been experiencing difficulty in keeping their machinery reasonably well employed, and in their endeavour to do so they were taking away more and more of our home trade. For the first ten months of 1937 Calcutta exported to the United Kingdom 131 million yards of jute cloth, while in the same period of 1938 148 million yards were shipped, showing that the peak had evidently not yet been reached. Of bags 51 millions were imported against 55 millions in the comparable period in 1937. To bring home to shareholders the implication of these figures, he might say that, on a conservative estimate, it would require 6,000 looms working for a whole year to produce this quantity of cloth and bags. In addition the yarn used in the manufacture of the cloth required to be made, and, reducing the question to one of labour, employment could be found for approximately 10,500 additional workers.

The railways in this country asked for a square deal. Dundee asked for a fair deal, the right to live, by being protected against the importation of goods of Asiatic origin destined for use in this country but produced under conditions very different from those prevailing here. Meantime the trade was being assisted by orders from H.M. Government for sand bags, which had enabled manufacturers to restart machinery and thus employ more operatives.

An unfavourable feature was the possibility of a reduced acreage in the jute-growing districts in Bengal, and a consequently higher price for the raw material. The Government of India was again reported to be determined to institute propaganda aimed at curtailing sowings. Any curtailment of the crop coming on the top of what had been estimated to be one of the smallest in recent years seemed to be ill-timed and to be fraught with possible serious consequences.

As to the outlook, while they had carried forward a smaller profit on undelivered orders, demand had been considerably better for the past three months than in the corresponding period last year. The figures of unemployment for the industry, which had dropped from 11,186 in May of last year to 6,203 in November, indicated a general improvement. It was anticipated that American trade would continue to improve, and so long as there was a necessity for the production of sand bags, work for their narrow looms, the products of which now came directly into competition with Indian goods, was partially assured.

The report was unanimously adopted.

TRANSVAAL AND DELAGOA BAY INVESTMENT COMPANY, LIMITED

(Incorporated in the Union of South Africa)

PROFIT AND DIVIDEND MAINTAINED

The ordinary annual general meeting of the Transvaal and Delagoa Bay Investment Company, Limited (Incorporated in the Union of South Africa) was held in Johannesburg, on December 1st.

Mr S. C. Black presided, and, in the course of his speech, said:—The results show a slight improvement compared with the previous year, and having regard to the many influences restricting business opportunities during the period under review, you will, I am sure, be satisfied with what we have achieved.

Our net profit, after making the usual provision for taxation and depreciation, amounts to £120,826, compared with £120,141 for the preceding year. We brought forward from last year, after paying the final 1937 dividend, £173,924, making £294,750. We paid an interim dividend of 2s. 6d. per share last June, which absorbed £34,688, leaving £260,062. We again placed to the reserve fund £15,000, leaving a balance of £245,062 to the credit of profit and loss account. The reserve fund now stands at £255,000.

The interim dividend of 2s. 6d. per share was declared on May 16, 1938. We now recommend payment of a final dividend of 4s. per share, bringing the total distribution for the year to 6s. 6d. per share = 32½ per cent. free of Union of South Africa ordinary income tax, the same as in the previous year.

THE TWO COLLIERIES

Our two collieries, the Transvaal and Delagoa Bay Collieries and Douglas Colliery, Limited, produced jointly 1,003,262 tons of coal, which is an increase of 4,804 tons compared with the previous year. Had railway transport facilities during the year corresponded to our needs, it would have been possible to have raised the output materially, but, as in previous years, the supply of railway truckage has been inadequate. During times of increased internal demand there often remains insufficient rolling stock to transport the required tonnages of export and bunker coals. This not only causes difficulty and dislocation of working at the time, but also seriously handicaps the Transvaal Coal Owners Association in tendering for overseas contracts. The remedial measures promised last year have not yet entirely rectified this unsatisfactory position, and we can but await the delivery of further rolling stock ordered from overseas by the Railway Administration.

Shareholders are aware that after many years' service, the old plant at No. 2 Pit of the Transvaal and Delagoa Bay Collieries had become obsolete and expensive to maintain, and it was decided to sink a new shaft and erect a new plant at No. 1 Pit, in a central position convenient for working the virgin coal-bearing areas of the company.

Consumers of coal are now very much more exacting in their demands than they used to be, and the opportunity was therefore taken to design and order a plant and washery which, by its flexibility and adaptability, would enable us to meet any requirements of the trade.

The new installation has been in full operation since the beginning of August last, and has given entire satisfaction. Erection was carried out in steel and concrete, and every modern improvement to increase the efficiency of the plant was incorporated. The "Baum" washer, supplied by Messrs Simon-Carves, Limited, of Stockport, England, has handled our small coals most satisfactorily, and has proved easily adjustable to give the required calorific values for each class of coal.

The old plant at No. 2 Pit has now been permanently closed down.

At the Douglas Colliery, Limited, the position is entirely satisfactory, and the company repeated last year's dividend distribution.

The Transvaal Coal Owners Association (1923), Limited.—The Transvaal Coal Owners Association (1923), Limited, of which both your collieries are members, continued its sale and distribution activities with the greatest efficiency.

NIGEL GOLD MINING COMPANY

The Nigel Gold Mining Company, Limited, has, during the year, made the progress predicted at our last meeting. At that time its maximum monthly tonnage milled was 28,000 tons, but this figure was increased to 36,000 tons in November last, and progress will continue until 40,000 tons per month are milled—the present capacity of the plant. We have the greatest confidence in the ultimate future of the mine.

GENERAL SITUATION

The Chairman, having dealt with the Company's other interests, continuing, said:—The past year has been an exceedingly anxious

one from many points of view, culminating in the critical international situation which developed in September last, when your board took such steps as it thought necessary to protect shareholders' interests in the event of war, in so far as it was possible to do so. Although a general outbreak of war was happily averted, the world situation still remains unsettled.

Within the Union of South Africa itself business is comparatively normal, and we have no reason to be unduly concerned about the future. The taxation of gold mines is still onerous, with little or no prospect of relief, but assuming a fairly stable price for gold, development of South African mining and industrial undertakings should continue to expand.

The report and accounts were unanimously adopted.

FANTI CONSOLIDATED INVESTMENT COMPANY, LIMITED

A SATISFACTORY INCOME

The ordinary general meeting of Fanti Consolidated Investment Company, Limited, was held, on the 12th instant, at Southern House, London.

Sir Edmund Davis (chairman and managing director) said that interest, dividends and sundry receipts for the year totalled £42,821, only £3,432 less than the income of £46,253 received during the previous year, which, in the circumstances they thought satisfactory. Net profit on realisation of investments, £7,156, showed a reduction of £28,761. Bearing in mind the depressed markets and extremely difficult conditions prevailing throughout the period under review, shareholders would no doubt appreciate that there were very few opportunities for profitable share transactions.

The amount at which their investments were taken into the balance sheet consisted of a valuation of each separate investment at market price or cost whichever was the lower. On that basis they showed at the date of the balance sheet a depreciation of £34,418 for the year, and they had made provision for that amount out of reserve account. At the end of 1937 they had had to provide £53,633 for depreciation, but, even though prices continued their downward trend during most of the past year, the aggregate market value of their investments at December 31, 1938, showed an appreciation above cost amounting to £55,594, and no part of that surplus had been taken into their accounts.

Prospects for the future naturally depended on the course of events, and he would not attempt to prophesy, but it was reasonable at least to expect that, with any appreciable easing of the existing international tension, there should be a marked recovery in financial activity and security values. Given such a recovery, their depreciation position should improve and enable them to recover part of the amounts they had had to provide in the past to cover depreciation. A resolution would be submitted for the payment of a dividend of 9d. per share—that was at the rate of 9½ per cent., less income tax—for the year ended December 31, 1938, and if that was approved the average annual rate of dividend paid over the period of 21 years since 1918 would work out at 10.61 per cent.

The report was unanimously adopted.

APEX (TRINIDAD) OILFIELDS, LIMITED

RECORD PRODUCTION

The ordinary general meeting of Apex (Trinidad) Oilfields, Limited, was held, on the 12th instant, in London.

Mr Walter MacLachlan, the chairman, said that the net profit amounted to £315,554, and the directors recommended the payment of a final dividend of 27½ per cent., making 40 per cent. for the year, less tax at 2s. 10.72d. in the £, equivalent to a total of 47 per cent. if subject to full tax of 5s. 6d. in the £. The production of crude oil amounted to a record of 562,942 tons, and the total from the commencement up to the end of last month was approximately 6,500,000 tons. The casing-head gasoline plant had produced 8,889

tons of high-grade petrol spirit. The average price per ton realised during the year was slightly under that for the previous year. The deeper zones of oil-sands had continued to provide a very high proportion of the total production from the field.

In the vicinity of their Southern boundary highly important developments had recently taken place. The Trinidad Petroleum Development Company had been testing part of their property, which immediately adjoined the Southern boundary, with the result that they were now in a position to report that they had no doubt that the whole of such area was oil-bearing. In view of those important developments the Apex Company had started further drilling operations in that section of its property. The first well drilled was yielding substantial production of good grade oil.

The Commission appointed in 1937 by the Secretary of State for the Colonies to inquire into the labour disturbances had presented its Report early in 1938. In common with the other oil companies the Apex Company was supporting the institution of methods by which matters in dispute which might arise could be dealt with so as to arrive at a fair and reasonable agreement.

With regard to prospects for the current year, he trusted that notwithstanding strikes in the earlier part of the year production would not be materially less than that of the past year. The outlook for the immediate future was necessarily influenced by the conditions and lower prices prevailing in the United States, but the directors had every confidence in the long-term outlook both for the industry and for the company's undertaking.

The report was adopted.

CLEVELAND PETROLEUM COMPANY, LIMITED

RESULTS OF A DIFFICULT YEAR

The annual general meeting of the Cleveland Petroleum Company, Limited, was held, on the 12th instant, in London.

Mr E. A. Radford, F.C.A., M.P. (the chairman of the company), presided.

In the course of his speech the Chairman said:—The profit for the past year, after charging all expenses and providing for National Defence Contribution to October 31, 1938, and income tax liability for 1939-40, and a sum of £21,730 for depreciation, amounted to £290,719.

The trading profit for the year has been materially less than that of the preceding year owing to two outstanding causes:—

(1) The retail prices of motor spirit were subjected to reductions of ½d. per gallon in July, 1937, February, 1938, and May, 1938.

(2) A duty of 9d. per gallon was imposed in the Budget of 1938 on commercial alcohol blended in motor spirit.

This meant an addition to the cost of Cleveland Discol of a figure materially in excess of the existing margin of profit, and your directors were confronted with a problem of some difficulty. After the most careful consideration they decided to raise the price, and this was done by ½d. per gallon, and it is eloquent testimony to the popularity of Cleveland Discol and to the extent to which its merits are recognised by the motoring public, that I am able to tell you to-day that the increased price has been willingly paid and that the sales of Cleveland Discol have not suffered. The trading profit on Cleveland Discol is now a very modest one, notwithstanding a special concession made to us by our friends the alcohol suppliers, The Distillers Company, Limited.

Cleveland Guaranteed motor spirit retains its popularity and our sales of this grade still form the backbone of the company's business.

The report was unanimously adopted; £50,000 was transferred to general reserve; an amount of £8,000 was set aside for staff pension scheme, the final dividends recommended in the report were declared, payable on the 27th instant, and the balance of £41,413 was carried forward to the current year.

The retiring directors, Mr R. A. Carder, Sir Thomas D. Nicol, and Mr Frederick J. Wolfe, were re-elected, and Messrs James Todd, Adams and Wilcock, chartered accountants, were re-appointed auditors for the current year.

OIL OUTPUTS

Anglo-Iranian Oil Company, Ltd.—Output in Iran for October, 1938, 929,000 tons. Total output for period January 1 to October 31, 1938, was 8,393,000 tons.

British Burmah Petroleum.—Output for December, 1938, 53,694 barrels.

British Controlled Oilfields, Ltd.—Total output week to January 7, 1939, 11,711 barrels. Total output December, 1938, 52,460 barrels. Shipments, December, 1938, 39,204 barrels.

Kern Oil Company.—Total output

December, 1938, 243,641 barrels, or about 34,806 tons.

Attock Oil Company.—One of the Dhulian test wells mentioned in the chairman's speech in June has now been drilled into production at about 7,780 feet.

CURRENT STATISTICS

CONTENTS

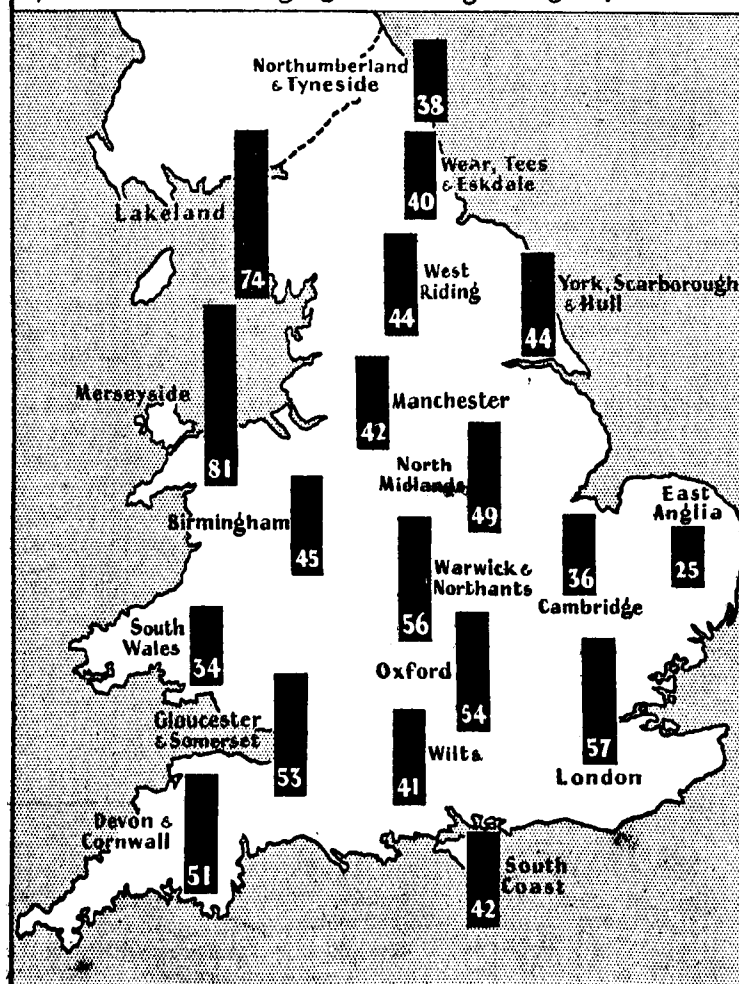
	Page		Page
FINANCE		INVESTMENT	
Youth Hostels	98	Transport Receipts	103
Government Returns	99	Transvaal Gold Output	103
Bank of England Returns	99	London Active Securities and Yields	104
Overseas Bank Returns	100	The Week's Company Results	106
Bank Clearings	101	Dividend Announcements	106
Money Rates	101		
Exchange Rates	101	INDUSTRY AND TRADE	
Bank Balance Sheets	102	Commodity Statistics	107
Industrial Profits (Supplementary Tables)	102	British Wholesale Prices	108

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

Youth Hostels

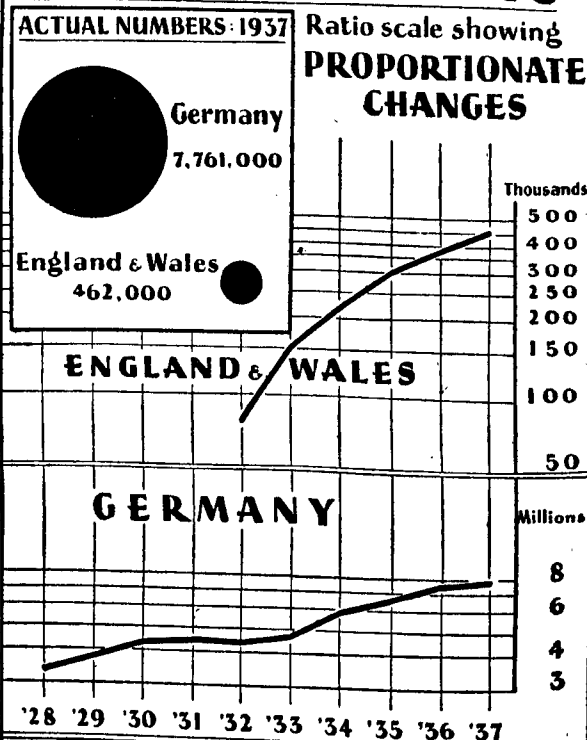
POPULARITY of YOUTH HOSTELS IN DIFFERENT REGIONS 1937

Heights of pillars and figures indicate average number of nights in the year on which beds were occupied in the youth hostels belonging to each regional group . . .

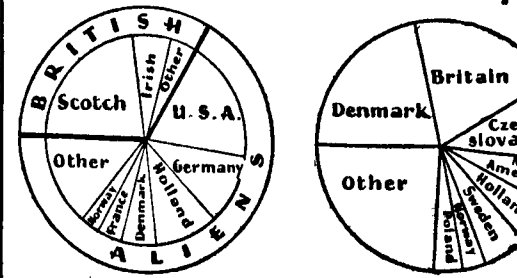


We are indebted to the Youth Hostels Association for statistics regarding England and Wales.

OVERNIGHT VISITS



"FOREIGNERS" 1937



Finance

GOVERNMENT RETURNS

For the week ended January 7, 1939, total ordinary revenue was £27,612,000, against ordinary expenditure of £27,833,000. Thus, excluding sinking fund allocations and Defence expenditure from loans, the deficit accrued since April 1st last is £249,667,000, against a deficit of £170,336,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to 1938, to Jan. 8, 1939	April 1, 1938, to 1939, to Jan. 8, 1939	8 days ended Jan. 8, 1939	Week ended Jan. 7, 1939
ORDINARY REVENUE					
Income Tax	134,150	102,250	111,423	12,215	11,699
Sur-tax, etc.	62,000	16,070	17,250	5,290	4,680
Estate, etc.	88,000	69,710	58,030	1,510	1,250
Duties	24,000	16,290	15,330	50	50
Stamps	20,000	92	13,680	33	410
N.D.C.					
Other In.					
Rev. Duties	1,250	610	820	80	40
Total I. Rev.	536,400	205,022	216,533	19,178	18,079
Customs	227,950	172,777	174,470	4,812	4,841
Excise	116,150	89,300	88,800	900	600
Total Cust. and Excise	344,100	262,077	263,270	5,712	5,441
Motor Duties	36,000	15,084	14,893	3,477	3,324
P.O. (Net Receipt)	8,670	9,200	7,290	Dr. 150	Dr. 100
P.O. Fund.	2,400	25	1,020	...	...
Crown Lands	1,330	1,030	1,020	...	...
Rec. from Sun. Loans	5,250	5,093	5,526	806	734
Misc. Rec.	10,500	10,934	9,516	829	134
Total Ordinary Revenue	944,650	508,465	518,048	29,852	27,612
SELF-BAL. REVENUE					
Post Office and Broadcasting	80,442	57,000	60,160	1,500	1,500
Total...	1,025,092	565,465	578,208	31,352	29,112

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to 1938, to Jan. 8, 1939	April 1, 1938, to 1939, to Jan. 8, 1939	8 days ended Jan. 8, 1939	Week ended Jan. 7, 1939
ORDINARY EXPEND.					
Int. & Man. of Nat. Dr.	230,000	193,328	194,385	10,010	9,825
Payments to N. Ireland	8,900	5,517	5,974	257	278
Other Cons. Fund Serv.	5,239	2,532	4,303	343	2,347
Total...	244,139	201,377	204,662	10,610	12,450
Supply Serv.	702,409	477,424	563,053	16,976	15,383
Total Ord. Expend.	946,548	678,801	767,715	27,586	27,833
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	57,000	60,160	1,500	1,500
Total...	1,026,990	735,801	827,875	29,086	29,333

* 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 reducing Exchequer balances by £335,230 to £2,692,563, the other operations for the week (as shown below, but excluding £3,000,000 issued under the Defence Loans Act and £252,000 issued to Sinking Funds), raised the gross National Debt by £3,138,000 to about £8,420 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES IN DEBT (£ thousands)		NET REPAYMENTS, ETC.	
Treasury Bills	12,849	Bk. of Eng. Adv.	4,500
Land Settlement	9	Pub. Dept. Adv.	4,810
Tithe Act	270	N. Atl. Shipping	30
		P.O. and Teleg.	
		(Money) Acts	650
	13,128		9,990

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to January 7, 1939, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	767,715	Ordinary Rev.	518,048
Eire issues	3,758	Eire receipts	10,000
Defence Loan		Gross. borr.	270,987
Issues	20,000	Less	
Incr. in balances	329	Sinking Fds.	7,233
		Net borrowing	263,754
	791,802		791,802

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
Jan. 8	622-0	312-4	48-6	7-0	983-0	354-0
Sept. 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	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	525-0	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
Dec. 3	517-0	445-4	49-5	...	1,011-9	494-9
" 10	507-0	465-3	46-7	...	1,019-0	512-0
" 17	500-0	474-2	51-5	...	1,025-7	525-7
" 24	493-0	495-3	42-1	...	1,030-4	537-4
1939						
Jan. 7	474-0	524-5	41-0	0-7	1,040-2	565-5

* 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		
1938					
Jan. 7	40-0	81-8	40-0	8	38
Sept. 16	40-0	55-8	37-0	10	66
" 23	40-0	58-2	40-0	19	62
" 30	45-0	68-8	45-0	25	68
Oct. 7	50-0	71-6	50-0	14	60
" 14	50-0	72-6	45-0	15	69
" 21	40-0	77-3	38-0	13	44
" 28	35-0	72-5	35-0	10	48
Nov. 4	35-0	67-9	35-0	10	44
" 11	35-0	62-7	35-0	10	52
" 18	35-0	62-6	35-0	14	38
" 25	35-0	69-6	35-0	17	32
Dec. 2	35-0	74-8	35-0	17	18
" 9	35-0	68-8	35-0	19	52
" 16	30-0	70-6	30-0	20	27
" 23	35-0	62-9	35-0	22	44
" 30	35-0	74-1	31-0	13	37
1939					
Jan. 6	25-0	60-3	25-0	11	29

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On January 6th applications at £99 17s. 3d. per cent. for bills to be issued for on Wednesday, Thursday, Friday and Saturday of the following week were accepted as to 29 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications at £99 17s. 4d. per cent. for bills to be paid for on Monday and at £99 17s. 3d. per cent. for bills to be paid for on Tuesday were accepted in full. £25-0 millions of Treasury bills are being offered on January 13th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
51 weeks to—		
Dec. 25, 1937	31,217,482	23,413,112
Dec. 24, 1938	31,356,105	23,517,079
Week to—		
Dec. 25, 1937	473,548	355,161
Dec. 17, 1938	606,825	455,119
Dec. 24, 1938	454,022	340,516

BANK OF ENGLAND RETURNS

JANUARY 11, 1939

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt.	11,015,100
In Circulation	475,643,564	Other Govt.	388,610,894
In Banking		Securities	90,542
Dept.	50,770,693	Other Secs.	283,464
		Silver Coin	
		Amt. of Fid.	
		Issue	400,000,000
		Gold Coin & Bullion	50,770,693
	526,414,257		526,414,257

BANKING DEPARTMENT

£		£	
Props. capital	14,553,000	Govt. Secs.	96,171,164
Rest	3,477,419	Other Secs.	22,121,700
Public Depts.	19,213,599	Securities	22,320,676
Other Depts.			
Bankers	118,136,912	Notes	44,442,376
Other	36,652,915	Gold & Silver	50,770,693
	154,791,827	Coin	651,612
	192,035,845		192,035,845

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

THE WEEK'S CHANGES

Both Departments	Compared with	
	Jan. 11 1939	Last Week
COMBINED LIABILITIES		
Note circulation	475,644	- 12,428
Deposits: Public	19,214	- 1,290
Bankers	118,139	- 17,816
Others	36,653	- 589
Total outside liabilities	649,649	- 32,122
Capital and rest	18,030	+ 34
COMBINED ASSETS		
Govt. debt and securities	495,797	+ 194,771
Discounts and advances	22,122	- 26,784
Other securities	22,411	- 39
Silver coin in issue dept.	284	+ 2
Gold coin and bullion	127,066	- 20,003
RESERVES		
Res. of notes & coin in banking department	51,422	- 17,607
Proportion of reserve to outside liabilities—		
(a) Bank. dept. only ("proportion")	29-5%	- 6-1%
(b) Gold stocks to deposits and notes ("reserve ratio")	19-6%	- 28-4%
† Fiduciary issue raised by £170 millions to £400 millions on January 6, 1939.		

COMPARATIVE ANALYSIS

(£ millions)

	1938			1939	
	Jan. 12	Dec. 21	Dec. 28	Jan. 4	Jan. 11*
Issue Dept.:					
Notes in circ.	482.1	503.0	504.7	488.1	475.6
Notes in banking dept.....	64.3	53.4	51.7	68.3	50.8
Govt. debt and securities ...	219.7	229.6	229.7	229.6	399.6
Other secs. ...	0.3	0.1	0.0	0.1	0.1
Gold	326.4	326.4	326.4	326.4	126.4
Deposits:					
Public	13.2	12.5	15.9	20.5	19.2
Bankers'	123.4	98.3	101.0	136.0	118.1
Others	36.8	37.3	36.8	37.2	36.7
Total	173.3	148.1	153.7	193.7	174.0
Bkg. Dept. Secs.:					
Government	90.2	72.1	69.2	71.4	96.2
Discounts, etc.	15.8	14.9	28.5	48.9	22.1
Other	20.5	24.8	21.5	22.4	22.3
Total	126.5	111.8	119.2	142.7	140.6
Banking dept. reserve.....	64.9	54.3	52.5	69.0	51.4
%	%	%	%	%	%
"Proportion"	37.4	37.7	34.1	35.6	29.5
Reserve ratio†	49.9	50.3	49.7	48.0	19.6

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in *The Economist* of May 28, 1938. The latest returns of the Banks of Egypt and of Iran appeared in our issue of December 24th; Bulgaria, Estonia, Greece, Yugoslavia, Lithuania and Portugal, of December 31st; Argentina, Canada, Finland, Hungary, Java, New Zealand and South Africa, of January 7, 1939.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

	Dec. 1937	Dec. 1938	Nov. 1938	Dec. 1938
ASSETS				
Gold in bars	13.8	29.3	34.0	42.1
Cash funds	5.3	27.9	23.2	17.8
Sight funds	17.1	14.4	19.8	16.6
LIABILITIES				
Bills and acceptances:				
(a) Commercial bills	122.1	153.6	158.5	149.0
(b) Treasury bills	110.6	47.5	60.9	72.1
Time funds at interest	38.4	52.1	50.1	35.6
Sundry bills & invests.	294.5	248.2	246.4	261.8
Other assets	1.1	12.9	4.5	0.9
LIABILITIES				
Cap. and reserves	148.2	149.3	149.3	149.3
Long-term commitments:				
(1) Annuity trust	153.5	152.8	152.9	153.2
(2) Govt.	109.4	102.0	101.5	101.8
Short and sight depts.				
(a) Central banks:				
Own account	178.8	110.9	131.3	132.4
For acct. others	2.3	2.2	1.8	1.5
(b) Other deposits	6.3	6.4	5.9	5.6
Sight deposits—gold	8.4	9.3	9.4	9.5
Miscellaneous items	43.0	52.9	45.4	42.6

U.S. FEDERAL RESERVE BANKS

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 1939
RESOURCES				
Gold certifs. on hand	1938	1938	1939	1939
and due from Treas.	9,120	11,714	11,838	11,863
Total reserves	9,532	12,063	12,212	12,294
Total cash reserves	401	340	365	418
Total bills discounted	11	7	4	5
Total bills in open mkt.	1	1	1	1
Total bills on hand	12	8	5	5
Industrial advances	18	16	16	16
Total U.S. Govt. sec.	2,564	2,564	2,564	2,564
Cap. paid in and surplus	2,594	2,587	2,584	2,585
Total bills and sec.	12,814	15,566	15,654	15,601
LIABILITIES				
F.R. notes in circn.	4,190	4,433	4,441	4,375
Aggregate of excess mr. bank res. over reqts.	1,390	3,480	3,300	3,440
Deposits — Member-bank reserve account	7,193	9,034	8,819	8,956
Govt. deposits	115	413	891	873
Total deposits	7,710	9,997	10,146	10,289
Cap. paid in and surplus	308	310	311	311
Total liabilities	12,814	15,566	15,654	15,601
RESOURCES COMBINED				
Monetary gold stock	12,755	14,380	14,565	14,577
Treasury and Nat. Bk. currency	2,640	2,784	2,800	2,805
LIABILITIES				
Money in circulation	6,395	6,858	6,839	6,716
Treasury cash and deposits with F.R. Bks.	3,743	3,064	3,616	3,585

NEW YORK FEDERAL RESERVE BANK.—(Million \$'s)

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 1939
ASSETS				
Gold reserves	3714.9	5222.4	5430.2	5471.6
Total bills discounted	3.7	2.7	1.1	1.2
Bills in open mkt.	0.2	0.2	0.2	0.2
Total U.S. Govt. sec.	739.5	815.4	724.6	724.6
Total bills and sec.	747.8	822.0	729.8	729.9
Deposits: Member-bank reserve account	3181.4	4616.1	4599.3	4670.8
Reserve to depts. and F.R. notes	84.9	87.5	89.4	89.4

FEDERAL RESERVE REPORTING MEMBER BANKS.—(Million \$'s)

	Dec. 1937	Nov. 1938	Dec. 1938	Dec. 1938
ASSETS				
Loans, total	9,387	8,317	8,473	8,430
Investments	12,015	13,008	13,269	13,219
Reserve banks	5,427	7,337	6,980	7,057
Due from domestic bks.	1,886	2,460	2,389	2,410
LIABILITIES				
Deposits: demand	14,431	16,013	16,129	15,986
Time	5,205	5,124	5,141	5,160
U.S. Government	691	534	639	637
Inter-bank	5,532	6,720	6,454	6,580

AUSTRALIAN COMMONWEALTH BANK.—(Million £'s)

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 1939
ASSETS				
Gold and English stg.	16.00	16.01	16.03	16.03
Other coin, bullion, &c.	5.71	5.24	5.08	4.96
Call money, London	25.84	21.59	21.68	19.45
Secs. and Treas. bills	93.07	91.91	93.31	99.07
Discounts and advances	12.07	15.02	15.66	15.83
LIABILITIES				
Notes issued	52.03	49.03	53.03	50.03
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	89.35	91.26	86.27	86.56

BANK OF FRANCE.—(Million francs)

	Jan. 1938	Dec. 1938	Dec. 1938	Jan. 1939
ASSETS				
Gold	58,933	87,265	87,265	87,265
Bills: Commercial	9,171	12,456	11,590	9,842
Bought abroad	856	850	781	781
Advances on securities	3,909	3,708	3,612	3,686
Thirty-day advances	723	523	443	839
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	31,909	20,627	20,627	20,627
Negotiable bonds, sinking fund	5,580	5,570	5,530	5,530
Other assets	4,248	4,543	4,160	4,837
LIABILITIES				
Notes in circulation	93,474	108,779	110,935	111,520
Deposits: Public	3,217	6,066	5,061	5,270
Private	18,279	27,636	25,397	23,669
Other liabilities	3,558	3,060	2,916	2,919
Gold to sight liabilities	51.2	61.2	61.6	62.1

* Revalued Nov. 17, 1938, at 27½ milligrammes.

REICHSBANK

	Jan. 1938	Dec. 1938	Dec. 1938	Jan. 1939
ASSETS				
Gold	70.7	70.8	70.8	70.8
Of which deptsd. abroad	20.3	10.6	10.6	10.6
Res. in foreign currencies	5.7	5.6	5.5	5.7
Bills and cheques	5327.1	7252.3	8244.0	7226.2
Silver and other coin	168.9	134.0	116.5	167.9
Advances	47.8	47.1	44.9	44.1
Investments	393.5	846.1	854.5	851.8
Other assets	800.7	1374.6	1504.7	1373.5
LIABILITIES				
Notes in circulation	5117.6	7629.4	8222.6	7705.1
Other daily maturing obligations	723.1	1002.9	1527.5	950.0
Other liabilities	330.6	433.6	426.2	420.4
Cover of note circulatn.	1.49	1.00	0.93	0.99

NATIONAL BANK OF BELGIUM

	Jan. 1938	Dec. 1938	Dec. 1938	Jan. 1939
ASSETS				
Gold	3,563	3,438	3,428	3,428
Silver and other coin	48	53	55	51
Foreign exchange, etc.	950	914	922	926
Bills and securities	597	606	594	577
Advances	33	52	41	43
LIABILITIES				
Notes in circulation	4,365	4,427	4,398	4,418
Deposits: Govt.	42	138	114	75
Other	697	410	440	445

NATIONAL BANK OF CZECHO-SLOVAKIA.—(Million Cz. kr.)

	Dec. 1937	Nov. 1938	Dec. 1938	Dec. 1938
ASSETS				
Gold	2,626	2,358	2,358	2,359
Gold against gold liab.	...	336	336	336
Balances abroad and foreign currencies	479	1,308	1,267	1,248
Discounts and advances	2,635	3,145	2,331	3,550
LIABILITIES				
Bank notes in circulatn.	6,902	6,870	6,628	6,950
Deposits	292	403	659	656

BANK OF DANZIG

	Dec. 1937	Nov. 1938	Dec. 1938	Dec. 1938
ASSETS				
Gold coin and bullion	3,137	1938	1938	1938
Danzig subsid. coin	3.18	3.06	3.29	2.58
Balances abroad and foreign bills	4.18	4.12	2.49	2.39
Discounts	14.65	24.71	26.52	24.89
LIABILITIES				
Notes in circulation	36.24	39.02	37.01	41.17
Deposits on demand	11.65	17.78	19.90	13.49

RESERVE BANK OF INDIA

	Jan. 1938	Dec. 1938	Dec. 1938	Jan. 1939
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	623	709	702	698
Balances abroad	18	12	13	13
Sterling securities	788	608	595	568
Indian Govt. rupee securities	274	324	323	323
Investments	61	59	56	52
LIABILITIES				
Notes in circn.: India	1,810	1,758	1,803	1,814
Burma	50	70	77	82
Deposits: Govt.	104	99	113	119
Bank	180	122	122	116
Gold and sterling liabilities	57.9	50.5	50.3	49.8

NATIONAL BANK OF ROUMANIA

	Dec. 1937	Nov. 1938	Dec. 1938	Dec. 1938
ASSETS				
Gold and gold exchange	16,375	18,083	18,147	18,172
Clearing and other for exchange	2,820	1,432	1,133	1,230
Commercial bills	5,906	11,073	11,532	11,455
Agric. & urban advnc.	2,002	1,844	1,829	1,816
Treasury bills issued	5,085	4,901	4,899	4,886
State debt and adv. to Treasury	5,619	5,601	5,601	5,601
Secs. and participats.	954	2,086	2,085	2,085
LIABILITIES				
Notes in circulation	28,369	34,171	33,785	34,027
Other sight liabilities	12,217	12,261	13,243	13,320
Long-term liabilities	2,860	4,001	3,856	3,788

NATIONAL BANK OF DENMARK

	Dec. 1937	Nov. 1938	Dec. 1938	Dec. 1938
ASSETS				
Gold coin and bullion	117.8	117.6	117.6	117.6
Foreign bills & balances	72.5	112.1	117.9	112.2
Home bills, securities and loans	262.7	322.8	362.6	398.9
Emergency fund	103.1	59.8	59.8	58.8
Advances to Treasury	91.6	86.7	74.6	59.5
LIABILITIES				
Notes in circulation	417.1	434.9	414.3	441.1
Deposits	114.9	125.5	164.6	141.7
Foreign liabilities	10.3	16.3	27.2	28.2

BANK OF JAPAN.—(Million yen)

	Dec. 1937	Nov. 1938	Dec. 1938	Dec. 1938
ASSETS				
Coin & bullion: Gold	801.0	501.3	501.3	47.1
Other	36.3	50.5	49.2	47.1
Spec. fd. for for. exch.	...	300.0	300.0	300.0
Discounts and advances	619.9	504.9	466.9	471.2
Government bonds	898.0	1407.2	1495.2	1778.7
Agencies' accounts	93.7	151.7	146.3	143.8
LIABILITIES				
Notes issued	1864.3	1953.3	2105.4	2236.4
Deposits: Government	256.2	662.9	403.5	556.8
Other	83.6	85.2	201.8	129.6

BANK OF LATVIA

	Jan. 1938	Dec. 1938	Dec. 1938	Jan. 1939
ASSETS				
Gold coin and bullion	77.55	82.60	82.60	87.69
Silver coin	13.42	12.12	11.88	12.14
Foreign currency	43.39	42.23	42.44	37.62
Treas. notes and change	8.40	8.25	7.48	9.21
Short-term bills	51.70	49.21	48.04	49.29
Loans against securities	87.66	102.42	113.61	113.06
LIABILITIES				
Notes in circulation	62.90	82.03	83.05	80.57
Deposits & current accs.	149.22	148.03	155.53	157.79
Government accounts	54.07	56.69	57.71	59.97

NETHERLANDS BANK

	Jan. 10, 1938	Dec. 12, 1938	Jan. 2, 1939	Jan. 9, 1939
ASSETS				
Gold	1385.8	1462.1	1461.2	1488.7
Silver	16.4	27.8	27.1	1488.7
Home bills, etc.	2.8	10.8	8.4	8.4
Foreign bills	5.1	3.6	3.6	3.6
Loans and advances in current account...	201.6	307.2	309.2	306.5
LIABILITIES				
Notes in circulation ...	874.9	987.6	1020.4	987.9
Deposits: (a) Govt. ...	175.5	146.3	154.4	
(b) Other ...	578.6	696.8	655.2	839.4

EXCHANGE RATES—cont.

NEW YORK

New York on	Jan. 5, 1939	Jan. 6, 1939	Jan. 7, 1939	Jan. 9, 1939	Jan. 10, 1939	Jan. 11, 1939
London:—	Cents	Cents	Cents	Cents	Cents	Cents
60 days	463½	466½	467½	466½	466½	466
Cables	464½	467½	468½	467½	467½	466½
Demand	464½	467	468½	467½	467½	466½
Paris, Fr.	2-62½	2-63½	2-64½	2-63½	2-63½	2-63½
Brussels, Bel.	16-86	16-88½	16-90	16-90	16-90	16-89
Switzerland, Fr.	22-58	22-59	22-58½	22-50	22-61	22-60½
Italy, Lira	5-26½	5-26½	5-26½	5-26½	5-26½	5-26½
Berlin, Mark	40-12	40-10	40-10	40-09	40-08½	40-09
Amsterdam, Guilder	54-35	54-40	54-42	54-40½	54-39½	54-38½
Copenhagen, Kr.	20-74	20-87	20-92	20-85	20-87	20-85
Oslo, Kr.	23-34	23-48	23-53	23-47	23-48	23-46½
Stockholm, Kr.	23-92	24-06	24-11	24-05	24-07	24-05
Athens, Dr.	0-85½	0-85½	0-85½	0-85½	0-85½	0-85½
Montreal, Can. \$	99-060	99-125	99-180	99-125	99-125	99-125
Yokohama, Yen	27-08	27-27	27-30	27-23	27-27	27-23
Shanghai, S.	16-70	16-65	16-62	16-63	16-60	16-55
B. Aires, Peso	28-81	28-98	29-04	28-97	28-99	28-96
Rio, Milreis†	5-95	5-95	5-95	5-95	5-95	5-95

Usance: T.T.

† Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended January 12, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD			GOLD		
South Africa	18,859	...	Norway	242	...
S. Rhodesia	27,883	...	Germany	18,205	...
British E. Africa	32,753	...	Netherlands	...	70,720
British India	70,025	...	France	...	720
Hong Kong	283,629	5,952	Switzerland	1,203,658	16,021
Belgium	39,183	...	United States	121	...
Peru	38,343	...	Other Countries	...	125
Total*	537,026	13,894	Total	1,222,946	87,384
SILVER			SILVER		
South Africa	7,919	...	Bombay	2,200	...
British India	71,716	...	Sweden	2,070	...
Burma	13,579	...	Norway	769	...
Australia	29,328	...	Italy	1,858	...
Belgium	7,616	281	Arabia-Saudi	70,333	9,694
France	26,251	190	United States	565	...
United States	49,892	...	Other Countries	...	27
Total*	207,111	5,821	Total	77,795	9,721

* Including other countries.

BANK BALANCE SHEETS

BARCLAYS BANK LIMITED

(£ thousands)

LIABILITIES	Dec., 1937	Dec., 1938	ASSETS	Dec., 1937	Dec., 1938
Deposits, etc.	434,645	433,081	Cash	54,839	53,241
Acceptances, etc.	8,533	14,933	Balances with other banks	15,944	14,873
"A" shares	3,430	3,430	Money at call and notice	27,069	26,208
"B" shares	11,761	11,761	Bills discounted	50,363	54,594
"C" shares	667	667	Investments	102,423	95,877
Reserve fund	10,750	10,750	British Linen Bank	3,720	3,721
			Union Bk. of Manchester	750	750
			Other Banks	2,498	2,525
			Advances	196,265	199,453
			Acceptances, etc.	8,533	14,933
			Bank premises	7,382	7,447
Total	469,786	474,622	Total	469,786	474,622

GLYN, MILLS AND COMPANY

(£ thousands)

LIABILITIES	Dec., 1937	Dec., 1938	ASSETS	Dec., 1937	Dec., 1938
Capital	1,060	1,060	Coin, etc., at Bank of England	5,967	5,472
Reserve fund	530	530	Balances, etc., with other banks	2,878	2,163
Bank premises account	290	300	Money at call and notice	9,250	8,588
Deposits	37,376	35,809	Bills discounted	657	1,074
Acceptances	3,222	3,204	British Govt. securities	9,388	8,980
			Other securities	1,165	1,179
			Advances	9,111	9,503
			Acceptances	3,222	3,204
			Bank premises	740	740
Total	42,478	40,903	Total	42,478	40,903

INDUSTRIAL PROFITS
SUPPLEMENTARY TABLES

(See leading article on page 60)

TABLE (A).—PROFITS BY INDUSTRIAL GROUPS
(Quarter ended December 31, 1938)

Group	No. of Cos.	Total Profits (after Debit Interest)		Division of Total Profits (= 100)		
		Previous Year	Latest Year	Prev. Div.	Ord. Div.	To Reserve etc.
Breweries	53	8,040,354	7,583,835	12.8	53.7	33.5
Electric Lighting and Power	59	4,091,190	3,862,230	38.1	21.3	40.6
Financial, Land and Investment	11	567,022	440,474	20.0	63.0	17.0
Hotels and Restaurants	37	6,931,308	7,727,954	7.5	30.5	28.6
Iron, Coal and Steel	29	5,859,359	5,308,481	10.7	51.0	38.3
Motor, Cycle and Aviation	6	1,891,859	1,479,691	Nil	55.3	38.7
Oil	97	1,985,857	1,389,307	1.9	63.3	34.8
Rubber	7	3,800,593	4,479,388	11.7	13.9	74.4
Shipping	10	1,175,018	1,209,623	27.9	39.4	32.7
Shops and Stores	9	1,345,540	98,221	25.4	34.8	39.8
Tea	1	1,131,335	Dr. 3,778	Nil	Nil	Dr. 100.0
Textiles and Telephones	13	1,072,552	612,072	21.8	10.9	67.3
Tramways and Omnibus	6	451,618	567,061	12.1	33.4	54.5
Trusts	45	1,665,457	1,518,202	44.9	37.3	17.8
Building Materials	11	1,378,383	1,277,046	17.8	54.9	27.3
Food, Confectionery and Drink	21	3,063,444	2,880,734	9.8	60.2	30.0
Electrical Equipment	4	638,057	636,879	14.5	53.8	31.7
Newspapers, Printing, etc.	16	1,372,595	1,215,332	37.8	25.5	36.7
Tobacco	3	8,084,793	8,126,840	8.7	80.8	10.5
Warehouse and Trading	7	380,263	284,197	59.7	36.3	4.0
Miscellaneous	117	6,441,275	6,246,883	16.3	39.1	44.6
Total	564	59,715,952	57,113,708	13.9	48.8	37.3

TABLE (B).—RATES OF INTEREST AND DIVIDEND
(Quarter ended December 31, 1938)

Group	Debiture Capital	Rate of Int.	Preference Capital	Rate of Div.	Ordinary Capital	Rate of Div.*	Rate of Div. a year ago†
Breweries	25,350,792	4.4	19,309,064	5.2	27,211,597	14.9	15.7
Electric Lighting, &c.	2,564,212	5.0	4,000,000	6.2	2,375,000	5.8	5.4
Financial, Land and Investment	17,154,278	4.2	14,334,386	4.8	32,308,729	6.6	7.2
Hotels & Restaurants	1,972,547	4.4	3,173,725	5.7	3,792,770	3.5	5.0
Iron, Coal and Steel	11,311,368	4.5	9,117,672	6.3	26,559,666	10.7	9.7
Motor, Cycle and Aviation	2,949,938	4.5	11,950,593	4.7	17,445,958	15.5	16.9
Oil	33,250	4.0	Nil	...	6,959,452	11.7	11.0
Rubber	532,929	6.6	532,144	5.0	16,372,684	5.4	9.1
Shipping	8,815,760	4.3	9,166,480	5.7	8,004,998	7.8	4.3
Shops and Stores	752,081	5.6	4,948,468	6.8	4,402,553	10.8	7.5
Tea	184,688	4.9	435,200	5.8	690,099	4.9	7.8
Telegraphs & Telephones	Nil	...	Nil	...	250,000	Nil	...
Textiles	4,973,159	5.1	9,113,375	1.4	6,783,016	0.9	1.3
Tramways and Omnibus	462,000	5.0	1,400,000	4.9	2,510,070	7.5	7.2
Trusts	23,787,633	4.4	19,847,614	3.4	14,753,561	3.8	3.9
Building Materials	2,411,652	4.3	4,103,934	5.5	6,005,470	11.6	10.5
Food, Confectionery and Drink	2,856,435	4.3	5,412,443	5.2	12,821,572	13.5	13.6
Electrical Equipment	Nil	...	1,436,350	6.5	12,821,572	26.5	15.2
Newspapers, Printing, etc.	2,060,461	3.6	6,357,793	7.2	6,173,073	5.0	4.8
Tobacco	Nil	...	12,600,000	5.6	28,582,952	22.9	22.9
Warehouse & Trading	929,950	5.6	3,279,485	5.1	3,616,082	2.8	5.7
Miscellaneous	5,566,446	5.1	18,664,079	5.4	33,767,220	7.2	8.6
Total	114,669,579	4.4	159,182,805	5.0	262,681,150	10.6	11.2

* 564 Companies.

† 549 Companies.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Miles Open	Gross Receipts, week ended Jan. 8, 1939 (£'000)				
		Passenger	Merchandise	Coal and Coke	Total Goods	Total Receipts
L.M.S.—						
1938	6,856	382	449	304	753	1,135
1939	6,831	366	345	278	623	989
L. & N.E. (a)—						
1938	6,315	262	297	255	552	814
1939	6,315	244	223	213	436	680
Great Western—						
1938	3,737	169	189	128	317	486
1939	3,737	168	164	117	281	449
Southern—						
1938	2,147	266	51	32	83	349
1939	2,140	260	47	28	75	335
Total—						
1938	19,055	1,079	986	719	1,705	2,784
1939	19,023	1,038	779	636	1,415	2,453

(a) Week ended January 7.

CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross decrease, first half 1938, over first half 1937	— 780	— 638	— 318	— 105
Gross decrease, second half 1938, over second half 1937	— 2,423	— 1,812	— 926	— 54
Gross decrease, first half 1939, over first half 1938	— 146	— 134	— 37	— 14
Weekly Figures				
1 week to Jan. 8, 1939	— 146	— 134	— 37	— 14
Av. weekly decrease, 1st half 1939	— 146	— 134	— 37	— 14
Latest week compared with 1938	— 146	— 134	— 37	— 14
Latest week compared with average 1927-30	— 215	— 194	— 79	— 29

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended January 6, 1939 (£'000)			Gross Receipts, week ended January 7, 1938 (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down	1.5	0.3	1.8	1.5	0.3	1.8
Great Northern	8.8	6.8	15.6	8.8	6.4	15.2
Great Southern	30.5	42.0	72.5	30.2	47.4	77.6

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending Jan. 7, 1939, before pooling	£ 574,300	+ £ 5,800
Total, 27 weeks to date	15,898,300	+ 165,000
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	42,126,179	+ 742,250

TRANSVAAL GOLD OUTPUT

Statistics for December 1938 (on basis of £7 8s. 6d. per fine ounce)

Statistics for December 1904							Statistics for January 1905						
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
							Goldfields						
							£						
							s. d.						
Anglo-American Corporation			£	£	£	s. d.	Simmer and Jack.....	117,000	24,306	180,469	£	£	s. d.
Brakpan Mines	140,000	...	256,275	147,753	108,522	...	Robinson Deep	116,000	26,454	196,421	...	80,121	20 6 9
Daggafontein Mines	141,000	...	292,971	149,743	143,228	...	Sub Nigel	61,000	41,696	309,519	...	208,545	33 0 1
Spring Mines.....	154,500	...	311,112	154,486	156,626	...	Vogelstruisbult	70,000	16,673	123,796	...	35,129	25 4 0
West Springs	86,000	...	137,263	89,938	47,325	...	Rietfontein Cons.	28,200	4,069	30,177	...	11,139	13 6 0
S. African Land and Exploration	58,700	...	119,134	74,612	44,522	...	Luipaards Vlei	51,500	11,015	81,783	...	23,074	23 1 3
							Johnnies Group						
							East Champ D'or.....						
							Government Areas						
							Langlaagte Estate.....						
							New State Areas						
							Randfontein Estates....						
							Van Ryn Deep.....						
							Witwatersrand						
							Johnnies Group Total						
							Union Corporation						
							East Geduld						
							Geduld Deep						
							Grootvlei Prop.						
							Modder Deep						
							Van Dyk Cons.						
							Other Mines						
							Glynn's Lydenburg ..						
							New Kleinfontein ..						
							Transvaal Gold						
							Witwatersrand Deep..						

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.

Prices, 1938		Year 1939 Jan. 1 to Jan. 11 inclusive		Name of Security		Price, Jan. 11, 1939		Yield Jan. 11, 1939		Prices, 1939 Jan. 1 to Jan. 11 inclusive		Last two Dividends		Name of Security		Price, Jan. 11, 1939		Yield Jan. 11, 1939	
High-est	Low-est	High-est	Low-est			Price, Jan. 11, 1939	Change since Jan. 1, 1939			High-est	Low-est	(a) %	(b) %	(c) %		Price, Jan. 11, 1939	Change since Jan. 1, 1939		
British Funds																			
7914	64	71	6934	Consols 2½%.....	7034	...	34	3	10	8	32/6	28/6	6 c	Nil c	Brit. Overseas A £5	30/-	...	...	Nil
11134	98	10514	104	Do. 4% (alt. 1957)	105	...	12	3	12	34	914	9	7 b	5 a	Chd. of India £5	914	...	6	8
10034	90	9512	9414	Conv. 2½% 1944-49	95	...	14	3	2	0	12/6	12/6	34 b	34 a	Com. Bk. of Aus. 10/-	12/6	...	4	2
10314	90	9834	9714	Do. 3½% 1948-53	9814	...	14	3	4	0	52/9	51/3	5 a	5 b	Dist. B. £1 fy. pd.	151/3xd	-3d	3	18
10454	9012	10114	10214	Do. 3½% after 1961	1034	...	14	3	11	0	75/-	73/-	31 a	31 b	En. S. & Aust. £5 ½p.	75/-	...	5	12
10514	100	10314	10214	Do. 4½% 1940-44	10234	...	14	3	4	0	103	103	10 b	10 a	Hombros & Co. £12 ½p.	10	...	4	10
11514	102	109114	10814	Do. 5% 1944-61	109	...	14	3	6	0	103	103	10 b	10 a	Hombros & Co. £12 ½p.	10	...	4	10
91114	81	87	8614	Fund. 2½% 1956-61	8634	...	14	3	6	0	59/412	56/6	6 a	6 b	Lloyds & S. £125.	571/2	-4d	6	10
97114	8812	9234	9174	Fund. 2½% 1952-57	9212	...	14	3	5	0	814	715 b	7 a	7 b	Martins £20, £2 ½p.	814	-14	4	6
99514	90	9434	9334	Fund. 3% 1959-69	9412	...	14	3	6	0	86/-	82/6	8 a	8 b	Midland £1 fy. pd.	841/2	+14	3	16
11414	98	108114	10674	Fund. 4% 1960-90	108	...	12	3	8	0	534	535 b	5 a	5 b	Nat. Dis. £2 ½p. fy. pd.	534	...	4	11
101114	90	9734	97114	Nat. D. 2½% 1954-58	9712	...	12	3	17	7	3034	2934	11 b	4 a	Nat. of Egypt £10	30	...	5	0
10014	93	9534	95	Do. 3% 1944-48	9512	...	12	3	6	3	3414	3234	9 b	8 a	N. of Ind. £25, £12 ½p.	3312	...	6	5
112114	100	10712	10634	Victory Bonds 4½%	10712	...	12	3	14	6	70/9	68/3	71 a	71 b	N. Prov. £5, £1 pd.	371/2	-132	4	6
10314	90	9712	9612	War L. 3½% at 1952	9814	...	12	3	13	0	455	448	10 a	8 b	Roy. Bk. of Scotland	455	...	3	15
9014	78	8314	8214	Local Loans 3%	8212	...	12	3	11	10	1514	1473	10 b	5 a	St. of S.A. £20, £5 pd.	15	...	5	0
102	9012	99	9712	Austria 3% 1933-53	9712	...	12	3	11	0	45	41/-	9 a	9 b	Union Dist. £1	42/6	...	4	14
6812	55	64	63	India 2½%.....	6314	...	12	3	19	0	91/9	87/-	9 a	9 b	West. £4, £1 pd.	88/6	-3/-	4	2
8214	68	76	7514	Do. 3½%.....	7514	...	12	3	19	3	...	...	...	...	...	...	...	...	...
9534	75	90	89	Do. 4½% 1958-68	8912	...	14	3	9	6	...	...	...	...	...	...	...	...	...
11714	110	11514	11458	Do. 4½% 1958-68	115	...	14	3	9	6	2614	2512	50 b	40 a	Alliance £1, fully pd.	2534	...	3	9
Dom. & Col. Govts.																			
10874	97	103	102	Austr. 5% 1945-75	103	...	4	8	6	938	914	20 b	20 a	Com. Con. £1, fy. pd.	14	...	2	18	0
104134	10912	10314	10214	Canada 4% 1940-60	103	...	4	8	5f	951/2	921/2	21 b	1/6a	Gen. & Lanc. £5, £2 pd.	458	...	3	15	8
108	9512	11114	11112	Nigeria 5% 1950-60	11112	...	4	10	0	2014	1914	25 b	25 a	Lon. & C. £1, 5/- pd.	27	-14	3	14	1
107334	95	10234	10134	N. Zealand 5% 1946	10212	...	4	10	0f	1014	1014	31/2a	31/1b	N.Brit. & Merc. £5, £2 pd.	1012	...	2	19	6
112134	97	10814	10712	S. Africa 5% 1945-75	10712	...	4	11	6	1515b	15	61/-a	61/-b	Pearl £1, fy. pd.	15	...	2	19	0
Foreign Governments																			
9612	78	85	8312	Aarg. 4½% Stg. Bds.	84	-1	5	7	2	931/2	903/2	150 c	150 c	Prudential £1 A.....	3514	...	14	2	15
102	23	4012	3612	Austria 1930 5%	3712	-3	11	2	10	912	916	19 b	11a	Do. £1, with 4s. pd.	92/6	...	3	3	3
89	38	59	57	Do. 4½% 1934-59	58	...	9	2	9	814	814	31/3 b	31/3 a	Royal Exchange £1m.	912	...	3	3	3
99	80	93	9058	Belgian 4% (36) 1970	92	-12	4	9	0	17	16/6	61/6 a	61/6 b	S.U. & N.A. £20, £1 pd.	814	...	3	19	6
36	31	25	23	Bulgaria 7½% 1914	2612	-412	9	8	8m	831/2	81/6	11 b	11/3 a	Sun. Lf. £1 with 5/6 pd.	17	...	3	16	0
3712	1234	1334	1212	Chile 5% (1929)	13	...	13	6	9	...	...	10 a	10 b	Sun. Lf. Ass. £1 fy. pd.	82/6	...	3	6	0
1958	14	1512	1434	China 5% (1912)	3612	-1	13	14	0f	230	225	8 b	4 a	Anglo-Amgr. Deb.	230	...	5	4	0
6012	37	3712	36	Do. 5% (1913)	5212	-2	9	10	6f	4712	4712	3 c	31/2 c	Anglo-Celtic Ord.	4712	...	7	7	0
7312	40	5512	5214	Czechoslovakia 8%	4212	-512	16	17	0	11/3	9/3	71/2 c	10 c	Brit. Assets Trust 5/-	10/-	...	4	16	2
10534	20	48	4212	Denmark 3%	99	...	3	0	7	11/3	9/3	4 a	6 b	Febeventure Corp. Stk.	21412	...	4	16	2
99	94	9934	9812	Egypt Unified 4% ...	83	...	4	18	6	6012	5912	3 b	112 a	For. Amer. & Co., Def.	5912	...	7	11	6
104	8412	8534	81	French 4% (British)	1212	...	4	12	10	11712	11712	8 b	212 a	Ind. and Gen. Inv.	11712	...	5	19	2
13	914	1212	1218	Ger. Dawes Lun. 5%	40	-4	12	10	0	224	224	8 b	5 a	Invest. Trust Ord.	224	...	5	7	0
60	44	3914	29114	Do. Young Lun. 4½%	28	-1	8	7	6m	223	223	8 b	5 a	Lake View Inv. 10/-	224	...	5	16	7
3412	25	2912	28	Greek 6% Stab. Ln.	3112	-1	14	5	9½	143/2	13/6	212 a	612 b	Mercantile Inv.	141/2	...	6	10	0
5812	20	3312	3112	Hungary 7½%.....	48	-2	11	9	3f	235	230	412 b	312 a	Merchants Trust Ord.	21812	...	5	2	2
60	35	52	48	Japan. 5½% 1936-65	48x4d	-1	12	10	0f	21712	21712	7 b	5 a	Metropolitan Trust...	21712	...	6	6	7
6412	38	53	4734	Do. 6% (24) red. 1959	4312	...	9	4	0g	31/9	31/9	6 c	4 c	Scottish Inv. 5/-	31/9	...	5	10	4
50	35	4312	4312	Peru 7½% 1922	65	...	8	9	3	3/9	3/9	4 c	312 a	Scottish Mort., &c.	16012	-8	5	18	5
7512	54	65	65	Poland 7%	912	...	16	16	0	16812	16012	9 b	3 a	Trustees Corp. Ord.	19012	+4	5	5	0
1534	914	978	9	Roum. 4% Con. 1922	79	...	3	16	0	19212	19012	6 b	4 a	United States Deb....	17612	...	5	13	4
92	75	79	7718	U.K. & Arg. C. 3½%	11112	...	3	6	6	271/12	251012	10 c	13½	Financial Trusts, &c.	26/3	...	7	12	5
11534	101	11112	11118	Corporation Stocks	113	...	3	6	6	13/9	13/-	10 c	3 c	Brit. S.Afr. 15/-fy. pd.	26/3	...	9	12	5
117	10412	11334	113	Barham 5% 1946-58	113	...	3	6	6	13/9	12/9	2 b	2 a	Charterhouse Inv. £1	13/9	...	4	7	2
8712	75	8158	8054	Lristol 5% 1948-58	81	...	3	14	1	24/3	23/9	212 a	212 a	C. of Lond. R. Fty. £1	23/9	...	5	16	0
9712	9012	9398	93	C.C. 3%.....	93	...	3	12	6	514	516	3 a	3 b	Daily Mail & Gen. £1	514	-3d	7	7	6f
10534	9438	10234	102	Liverpool 3% 1954-64	102	...	3	12	6	181012	18/3	6 b	3 a	Dalgety £20 £5 pd.	19/-	...	5	14	3
Public Boards																			
11134	11012	212	212	C. Elec. 5% 1950-70	11012	...	3	16	3	221012	22/3	5 b	4 (c)	Forestal Land £1	22/6	...	4	7	6
11214	11012	214	214	Lon. Pass. Transport	11112	...	4	0	0	163	143	Nil	Nil	Judson's Bay Co. £1	157/12	-712d	9	0	0
1212	11912	214	214	4½% "A" 1985-2023	11912	...	4	1	6	10/3	9/3	3 c	31/2 c	Peru. Corp. Pref.	24	...	7	6	0
11712	11512	212	212	"B" 1965-2023	11612	...	4	0	0	31/-	30/-	1212 c	10 c	Primative Hold. £1	9/6	...	7	6	0
75	73	112 a	212 b	"C" 1956 or after	74	-12	5	8	0	...	...	...	...	Sudan Plant. £1	30/712	...	6	10	8
8512	8412	212	212	Met. W.B. "B" 3%	85	-12	3	11	0	65/6	62/6	5 a	1212 b	Ansell's Brewery £1	64/9	+9d	5	8	6
114	1138	212	212	P. of Lon. 5% 50-70	114	...	3	10	10	23/6	22/-	5 a	2 a	Barclay Perkins £1	23/3	+6d	5	8	6
British Railways																			
2812	2434	312 b	Nil a	G.W. Ord.	25	-3	14	0	0	111/6	110/-	12 b	620f	Bass Ratcliff Ord. £1	111/-	+6d	9	9	0f
212	218	Nil	Nil	L. & N.E.R. Def.	238	...	Nil	...	...	61/6	59/9	14 b	3 a	Charrington & Co. £1	60/-	-9d	5	0	0
3812	34	34 b	Nil a	Do. 5% Pref. Ord.	454	...	8	10f	...	661/2	65/3	14 b	712 a	Courage Ord. £1	66/-	...	6	0	3
47	4312	134 c	134 c	Do. 5% Pref. 1955	10	...	17	10	0	106/-	104/6	12 a	712 a	Dunlop Ord. £1	87/9xd	...	5	1	3
1112	934	3 c	Nil a	Do. 4% 1st Pf.	2512	-2	11	15	4	72/9	71/9	8 a	13 b	Guinness Ord. £1	105/-	...	5	9	0
2834	2412	3 b	Nil a	L.M.S. Ord.	1214	-114	11	6	3	32/6	31/9	712 b	312 a	Mexell's Ord. £1	73/9	...	6	16	0
134	12	114 c	112 c	4% Pf. 1923	2712	-212	7	5	5	63/-	62/-	4 a	14 b	Mitchells & Butlers	32/3	+6d	6	16	0
3012	27	2 b	Nil a	4% Pf.	4712	-3	8	8	6	33/6	32/712	6 b	4 a	Simonds (H.&G.) £1	73/-	+1/-	5	14	0
51	4714	2 b	2 a	Southern Def.	12	-34	12	10	0	60/-	58/9	6 a	12 b	Taylor Walker Ord. £1	32/9	...	6	3	0
1278	1112	1 b	112 c	Do. 5% Pf. Ord.	57	-1	7	0	3	...	...	...	...	Watney Combe Def. £1	59/9	+9d	6	0	9
5834	5634	1 b	1 a	Do. 5% Pf.	9112	-1	5	9	3	...	...	...	...	Iron, Coal and Steel	...	...	...	...	...
9312	91	212 a	212 b	San Paulo Ord.	29	...	6	17	11f	171012	17/-	512 b	2 a	Allied Ironfound. £1	18/9	...	10	13	4
Dom. & Foreign Ry.																			
9	8	Nil	Nil	Antofagasta Ord.	812	-12	Nil	...	...	37/3	35/6	71							

(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 4½% basis. (m) Based on payment of 2½%. (n) To redemption at par, in year shown. (o) Yield worked at ½% of face value. (p) Yield worked on a 10% basis. (s) Yield worked on a 5½% basis. (t) Yield worked on ¼% basis. (u) Yield on 2.0925% basis. (v) Yield based on 40% of coupon. † Free of Income Tax. (y) Yield based on 47% of coupon. (z) 1% yield free of income tax.

Prices Year 1939 Jan. 1 to Jan. 11 inclusive					Last two Dividends			Name of Security	Office, Jan. 11, 1939	Change since Jan. 1, 1939	Yield Jan. 11, 1939	Prices Year 1939 Jan. 1 to Jan. 11 inclusive					Last two Dividends			Name of Security	Office, Jan. 11, 1939	Change since Jan. 1, 1939	Yield Jan. 11, 1939																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
High-est	Low-est	(a) %	(b) %	(c) %	High-est	Low-est	(a) %					(b) %	(c) %	High-est	Low-est	(a) %	(b) %	(c) %																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
42/6	40/9	Nil	8c						Iron, Coal, &c.—cont.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				

* Bid and offered prices are free of Commission and Stamp Duty. (a) Interim dividend. (b) Final dividend. (c) 8 1/2% paid free of income tax. (d) 8 1/2% paid free of income tax.
(e) Including bonus of 5% free of tax. (f) Annas per share. Lastest annual dividend equal to about 6-945% tax free. (g) Yield worked on 6% basis. (h) Allowing for rate of exchange.

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
					Pref. Amount	Ordinary Amount	Rate				
Banks		£	£	£	£	£	%	£	£	£	%
Alexander's Discount.....	Dec. 31	128,500	154,500	283,000	12,000	140,000	17½	...	131,000	154,075	17½
Barclays Bank	Dec. 31	511,391	1,926,458	2,437,849	...	1,510,129	14 & 10	400,000	527,720	2,133,825	14 & 10
Martins Bank	Dec. 31	309,007	872,929	1,181,936	...	603,206	14½	250,000	328,730	853,566	16
North of Scotland Bank ...	Dec. 31	99,326	191,873	291,199	...	132,356	16	55,000	103,843	200,508	16
Union Bank of Australia.....	Aug. 31	145,914	244,683	390,597	...	233,334	7	...	157,263	254,384	7(n)
Financial, Land, etc.											
British Tin Investment	Dec. 31	30,871	149,318	180,189	...	147,356	7	...	32,833	337,557	15
North Queensland Mortgage	Sep. 30	2,936	9,737	12,673	7,358	...	...	2,500	2,815	10,281	Nil
Rubber											
Batu Kawan	Sep. 30	458	7,454	7,912	...	4,725	2½	2,418	769	10,882	5
Glendon	Sep. 30	443	3,257	3,700	...	2,600	5	650	450	6,589	10
Ipoh	Sep. 30	413	19	432	...	...	...	...	432	10,139	15
Textiles											
Roberts (J. F. and H.)	Nov. 30	30,798	30,048	60,846	5,000	25,000	10	...	30,846	35,130	10
Trusts											
Cardinal Investment	Dec. 31	4,921	14,488	19,409	6,613	6,120	7	...	6,676	20,184	7½
Charter Trust, etc.	Nov. 30	11,764	16,641	28,405	18,333	...	...	...	10,072	21,334	Nil
Great Northern Investment	Nov. 30	46,284	76,934	123,218	33,000	28,600	6½	10,000	51,618	78,540	6½
Other Companies											
British Tobacco (Australia)	Oct. 31	40,174	911,479	951,653	96,507	813,446	10	...	41,700	911,386	10
Industrial Plant	Nov. 30	369	599	968	...	536	5	...	432	507	4½
Liebig's Extract of Meat ...	Aug. 31	217,435	259,678	477,113	50,000	220,000	11½	...	207,113	271,009	11½
Nairn (M.) & Greenwich ...	Dec. 31	64,488	241,196	305,684	...	242,499	15	...	63,185	255,592	15
Nathan (Joseph) & Co.	Sep. 30	35,318	90,647	125,965	51,000	3,186	10	20,000	51,779	91,398	10
New Merton Board Mills ...	Oct. 31	14,308	47,833	62,141	5,600	36,400	28½	5,000	15,141	44,618	28
Pullin (R. B.) and Co.	Oct. 31	5,068	28,398	33,466	...	17,500	25	10,000	5,966	23,217	15
Rio de Janeiro Flour	Sep. 30	51,941	86,937	138,878	...	79,160	8	7,500	52,218	92,654	8
South African Druggists ...	July 31	15,408(v)	50,380	65,788	11,000	30,000	7½	6,349	18,439	(a)	(a)
Trinidad Sugar Estates	Sep. 30	2,571	19,577	22,148	...	14,625	7½	5,000	2,523	20,448	10
Total Profits, 1939, in £'000's	No. of Cos.										
To January 7	23	569	3,104	3,673	416	1,703	...	944	610	3,876	...
To January 14	41	1,130	5,098	6,228	690	3,344	...	1,007	1,187	6,118	...

† Free of Income Tax.

(a) No comparable figure.

(v) Seven months.

(n) Also bonus of 2 per cent. from the Special Centenary Fund.

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	%	%	%	%	Aldford Hse(Park Lane)	3½	6	...	6	United City Prop. Tst.	(a) 3*	...	Jan. 31	3*
Beira Railway	2½	ps	...	2½	Allied Bakeries	(a) 5*	...	Jan. 21	4*	Weber (L. and J.), etc.	2†	...	...	6
BANKS					Assets Company	4½	7	...	7	Westinghouse Brake...	17½	...	...	17½
Com. of Australia ...	6½	pa*	...	6½	Assocd. Prov. Picture	5†	10	...	10½	Woolworth (F. W.) ...	50†	65	...	60
District Bank	9½	18½	...	17½	Berry Wiggins & Co.	5†	...	...	5*					
Hongkong & Shanghai	6½	£5½	...	£5½	Brett's Stamping	5*	...	...	5*					
Lloyds Bank "A"	6†	12	...	12	British Tin Investmt.	4†	7	...	15					
Do. "B"	8†	5	...	5	Clifford Motor	7½*	...	Jan. 31	5*					
Midland Bank	8†	16	...	16	Covent Garden Prpts.	3*	...	Jan. 21	3*					
Munster & Leinster...	12½	...	...	12½	Davenport Bry. Hlds.	6†	10	...	10					
National Provincial ...	7½	...	...	15	Debenure Corp'n ...	6†	10	...	10					
N. of Scotland Bank ...	16	...	...	16	Distillers Co.	7½*	...	Feb. 1	7½*					
Provincial of Ireland	12½	...	...	12½	Edinburgh Securities	3†	5	...	5					
Queensland National	4½	...	...	4½	Hall (J. and E.)	12†	15	Feb. 22	15					
Royal Bk. of Ireland...	4†	8	...	9	Lon. Prod. Clearing Hse	12†	...	Feb. 22	£56¼					
Union Discount Co. ...	6½	...	...	10	Do., Deferred	4*	...	...	4*					
Union of Australia ...	4†	7	Feb. 1	7(c)	Lovibond (John) ...	10†	15	...	15					
Westminster Bank (Ld)	9†	18	Feb. 1	20	Nairn (Michael), etc.	10†	10	...	10					
Williams Deacon's Bk.	12½	...	...	12½	Nathan (Joseph) ...	3†	...	...	3½					
INSURANCE					Omni Investment	2½*	...	Jan. 20	2½*					
New Zealand Insurance	5*	...	Feb. 8	5*	Palmerston Inv. Tst.	2½*	...	...	2½*					
TEA & RUBBER					Parker's Brewery ...	3½*	...	...	3½*					
Assam Co.	2*	...	Feb. 11	2*	Pratt (J.) Alfred ...	2½†	5	...	8½					
Jorchaat Tea	4*	...	Jan. 25	5*	Pullin (R. B.)	20†	25	...	15					
Sednak Rubber	4*	...	Jan. 27	12	R. Plate Invest. Trust	5†	10	Feb. 1	11					
Standard Tea (Ceylon)	5*	...	Jan. 31	5*	Savings Unit Trust ...	2½†	...	Jan. 15	7½					
MINING					Scot. Amer. Invest. A	3†	7	...	6					
Bibiani (1927)	(a) 15	...	Feb. 1	15	Sec. United Investra.	3†	5	...	6					
Electrolytic Zinc	6*	...	Mar. 17	6*	Sec. British Assets Tst.	5	...	...	7½					
OTHER COMPANIES					Singapore Traction ...	5	...	...	6					
Alders (Tamworth)...	6†	10	Feb. 4	15	Third Br. Fixed Trust	5½	60d	...	6d					
					Third Scot. Amer. Tst.	6*	...	...	6*					

SHORTER COMMENTS

(Continued from page 89)

Westinghouse Brake and Signal Company.—Net profit year to September 30, 1938, £262,518 (£259,776). To staff pensions £10,000 as before. Ordinary dividend 10 per cent. plus a bonus of 7½ per cent. both as before. To reserve £75,000 as before. Carry forward raised from £60,060 to £70,569. Total reserve now £400,000.

Liebig's Extract of Meat Company.—Profit for year to August 31, 1938, £448,360 against £397,432. To tax and N.D.C., £174,882 (£112,623). Ordinary dividend 11 per cent. tax free as before. Carry forward reduced from £217,435 to £207,113.

Fanti Consolidated Investment Company.—At the annual meeting on January 12th, Sir Edmund Davis disclosed that the separate securities were valued at market price or cost, whichever was the lower. To

meet the resulting depreciation, £34,418 had been provided from reserve in 1938, but at the end of the year, aggregate market values exceeded cost by £55,594, no part of which had been taken into the accounts.

North Eastern Electric Supply Company.—The directors have appointed Lt.-Col. S. E. Monkhouse as managing director, and Mr E. H. B. Woodward as general manager.

Industry and Trade

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended		Jan.-November	
	Dec. 24, 1938	Dec. 31, 1938	1937	1938
Northumberland	260.2	233.6	13,114.9	12,285.3
Durham	587.2	504.5	30,584.6	28,950.4
Yorkshire	851.3	483.0	41,448.8	39,007.0
Lancs, Cheshire and N. Wales	345.4	223.8	16,196.0	15,596.8
Derby, Notts & Leicester	667.8	436.7	30,773.9	29,272.6
Staffs, Worcs, Salop and Warwick	395.5	224.1	18,434.6	17,914.5
South Wales & Monmouth...	620.7	397.4	35,053.2	33,244.4
Other English districts*	106.4	61.2	5,080.0	5,032.6
Scotland	616.2	593.3	29,360.8	27,757.2
Total	4,450.7	3,157.6	220,046.6	209,060.8

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton				
RAW COTTON delivered to Spinners ('000 bales)				
Variety	Week ended		Total Deliveries	
	Dec. 30, 1938	Jan. 6, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	8.4	18.1	580	458
Brazilian	1.5	5.7	154	108
Peruvian, etc.	1.6	2.2	63	44
Egyptian	4.6	8.6	152	125
Sudan Sakel	2.1	1.8	77	77
East Indian	3.5	4.0	122	155
Other countries	1.6	2.6	92	61
Total	23.3	43.0	1,240	1,028

Metals

SALES ON LONDON METAL EXCHANGE

	Week ending		From Jan. 1 to Jan. 11, 1939
	Jan. 4, 1939	Jan. 11, 1939	
Copper	Tons 5,200	Tons 7,600	Tons 10,400
Tin	1,200	1,240	1,625
Lead	7,500	6,700	11,700
Spelter	4,800	3,400	5,650

U.K. STOCKS

	Dec. 31, 1938	Jan. 7, 1939
Copper (Br. official w/houses):	Tons 4,533	Tons 5,976
Refined	25,054	25,429
Rough	9,674	9,686
Tin (London and Liverpool) ...	...	...

METALS—(cont.)

TINPLATE INDUSTRY				
Production—per cent. of capacity	Week ended		Jan.-November	
	Jan. 1, 1938	Dec. 24, 1938	1937	1938
Jan. 6, 1938	47.91	36.16	...	...
Dec. 29, 1938	...	...	...	...
Jan. 5, 1939	...	...	...	...
Shipment (warehouse and in vans)	8,532	1,746	2,010	...
Shipment	4,859	5,085	5,675	...
Stocks (warehouse and in vans)	...	...	...	...
Jan. 6, 1938	...	...	...	...
Jan. 5, 1939	...	...	...	...
Shipment	8,532	2,010	...	...

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

	Week ended		Season to	
	Dec. 31, 1938	Jan. 7, 1939	Jan. 8, 1938	Jan. 7, 1939
From—				
N. America.....	379	501	11,088	13,607
Argentina and Uruguay	150	75	2,223	2,776
Australia	310	102	4,195	4,337
Russia	...	48	3,956	4,268
Danube and dist.	420	144	4,064	4,946
India	...	...	899	424
Other Countries...	15	33	334	462
Total	1,274	903	26,759	30,820
To—				
U.K.	189	193	7,186	7,019
"Orders"	406	129	5,278	7,159
France	37	25	370	2,276
Belgium	12	36	2,730	1,821
Holland	72	52	1,683	1,726
Italy.....	72	10	526	776
Greece.....	...	51	751	595
Scandinavia	12	23	725	860
Other European Countries	132	93	2,528	3,488
Ex - European Countries	344	291	4,972	6,099
Total	1,274	903	26,759	30,820

BRITISH WHOLESALE PRICES

	Jan. 4, 1939	Jan. 11, 1939		Jan. 4, 1939	Jan. 11, 1939		Jan. 4, 1939	Jan. 11, 1939
CEREALS AND MEAT								
GRAIN, etc.—			SUGAR (per cwt.—cont.)			GOLD, per fine ounce	150 5	148 10
Wheat—			Cubes	24 0	24 0	SILVER (per ounce)—		
No. 2, N. Man. 496 lb.	28 9	28 0	Crushed	22 3	22 3	Cash	1 8½	1 8½
Eng. Gaz. av., per cwt.	4 4	4 5	Granulated	20 1½	20 1½			
Liv. Mar., per cental	4 10	4 8	Home Grown	20 0	20 0			
Flour, per 280 lb.—								
Straights, d/d London	23 6	23 6	TEA* (Auction Average) (per lb.)					
Manitoba, ex store	22 9	22 6	N. India	12 93				
Barley, Eng. Gaz., av. per cwt.	7 10	7 11	S. India	13 78				
Oats	6 0	6 2	Ceylon	14 97				
Maize, L. Plata, landed, 480 lb.	30 6	30 0	Java	11 63				
Rice, No. 2 Burma, per cwt.	7 0	7 1½	Sumatra	10 57				
			Africa	11 58				
MEAT			Total	13 43				
Beef, per 8 lbs.—			TOBACCO (per lb.)					
English long sides	4 4	4 2	Virginia stemmed and un-	8 0	8 0			
Argentine chilled hinds	4 10	4 10	stemmed, common to fine	2 6	2 6			
Mutton, per 8 lb.—			Rhodesian stemmed and un-	0 9	0 9			
English wethers	4 8	4 8	stemmed	1 10	1 10			
N.Z. frozen wethers	2 10	2 10	Nyasaland stemmed and un-	0 7	0 7			
Lamb, per 8 lb.—			stemmed	1 4	1 4			
N.Z. frozen	4 4	4 4	East Indian	0 4	0 4			
Pork, English, per 8 lb.	6 4	6 4	Unstemmed	1 0	1 0			
	7 0	7 0		1 6	1 2			
BACON (per cwt.)			TEXTILES					
English	100 0	100 0	COTTON (per lb.)					
Danish	100 0	100 0	Raw, Mid-American	5 31	5 17			
Dutch	97 0	97 0	" Sakellaridis, F.G.F.	7 45	7 32			
Irish	94 0	95 0	" Giza, F.G.F.	7 50	7 37			
	100 0	100 0	Yarns, 32's Twist	9 10	8 8			
RAMS (per cwt.)			" 40's West	17 14	17 14			
Canadian	98 0	100 0	60's Twist (Egyptian)	16 3	16 1			
United States	100 0	98 0	Cloth, 32 in. Printers, 116 yds.	16 3	16 1			
			" 16x16, 32's & 50's	22 9	22 6			
			" 19x19, 32's & 40's	9 7	9 6			
			" 38 in. ditto, 38 yds.	8 8	8 7			
			" 18x16, 10 lb.					
			" 39 in. ditto, 37½ yds.					
			" 16x15, 8¼ lb.					
			FLAX (per ton)					
			Livonian ZK	76 0	80 0			
			Pernau HD	82 0	81 0			
			Slanetz Medium, 1st sort		100 0			
			HEMP (per ton)					
			Italian P.C.	70 0	70 0			
			Manilla, Jan.-Mar. 'J2"	20 0	20 0			
			JUTE (per ton)					
			Native 1st mks., c.i.f. H.A.R.B.	19/15/0	20/5/0			
			Jan.-Feb.	19/15/0	19/15/0			
			Daisee 2/3 c.i.f. Dundee	19/5/0	19/15/0			
			Jan.-Feb.	14 5	14 5			
			SISAL (per ton)					
			African, Jan.-Mar.	16 15	16 15			
			SILK (per lb.)					
			Canton	7 3	7 3			
			Japan	8 0	8 3			
			Italian, raw, fr. Milan	8 0	8 0			
			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	10	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	99 0	99 0			
			Bars, Middlesbrough	245 0	245 0			
			Steel rails, heavy	190 0	190 0			
			Thin plates	20 3	20 3			
			NON-FERROUS METALS (per ton)					
			Copper	44/6/3	43/13/9			
			Standard cash	44/7/6	43/15/0			
			Three months	44/11/3	43/18/9			
			Tin	217/0/0	217/0/0			
			Standard cash	217/5/0	217/5/0			
			Three months	218/0/0	218/0/0			
			Lead, soft foreign	218/5/0	218/5/0			
			Cash	14/16/3	14/15/0			
			English, pig	14/17/6	14/17/6			
			Spot	17/0/0	16/15/0			
			Spelter, G.O.B.—					
			13/15/0	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	50/0/0	50/0/0			
			Wolfram, Chinese	51/0/0	51/0/0			
			Platinum, refined	57 0	57 0			
			Quicksilver	7/10/0	7/10/0			
			per 76 lb.	15/4/0	15/4/0			
			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 2½	0 2½			
			" Oxalic, net	0 6	0 6			
			" Tartaric, English, less 5%	1 1	1 1			
			Alcohol, Plain Ethyl, per proof gal	1 1	1 1			
			Ammonia, carb.	20/0/0	20/0/0			
			Sulphate	7/11/0	7/11/0			
			Borax, gran.	13 6	13 6			
			" powder	15 0	15 0			
			Nitrate of soda	8/0/0	8/0/0			
			Potash, Chlorate, net	37/0/0	37/0/0			
			" Sulphate	10/0/0	10/0/0			
			Soda Bicarb.	10/15/0	10/15/0			
			Crystals	11/0/0	11/0/0			
			Sulphate of copper	5/5/0	5/5/0			
			COPRA (per ton)	19/5/0	19/10/0			
			S.D. Straits, c.i.f.	10/12/6	10/15/0			
			HIDES (per lb.)					
			Wet salted, Australian	0 4½	0 4½			
			West Indian	0 3½	0 3½			
			Cape	0 4½	0 4½			
			Dry and Drysalted Cape	0 6¼	0 6¼			
			Market Hides, Manchester—	0 7¼	0 7¼			
			Best heavy ox and heifer	0 5	0 5			
			Best cow	0 4½	0 4½			
			Best calf	0 5¾	0 5¾			
			INDIGO (per lb.)					
			Benzal, gd. red-vio. to fine	5 0	5 0			
			Leather (per lb.)					
			Sole Bends, 8/14 lb.	2 0	2 0			
			Bark-Tanned Sole	2 2	2 2			
			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 0	3 6			
			PETROLEUM PRODUCTS (per gall.)					
			Motor Spirit No. 1, London	1 6	1 6			
			Petroleum, Amer. fld. brl. Lond.	0 10	0 10			
			Fuel oil, in bulk, for contracts,					
			ex. instal. Thames—					
			Furnace	0 3¾	0 3¾			
			Diesel	0 4½	0 4½			
			ROSIN (per ton)					
			American	14/5/0	14/5/0			
			RUBBER (per lb.)					
			St. ribbed smoked sheet	0 8½	0 8½			
			Fine hard Para	0 7	0 7			
			SHELLAC (per cwt.)					
			TN Orange	39 0	39 0			
			TALLOW (per cwt.)					
			London town	16 9	16 9			
			TIMBER					
			Swedish u/s 3x8	20/15/0	20/15/0			
			" 2x7	20/5/0	20/5/0			
			" 2x4	18/5/0	18/5/0			
			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 & 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 tin net)					
			Linseed, naked	23/2/6	22/15/0			
			Rape, refined	31/5/0	31/5/0			
			Cotton-seed, crude	19/0/0	18/5/0			
			Coconut, crude	16/0/0	16/2/6			
			Palm	13/12/6	13/7/6			
			Oil Cakes, Linseed, Eng.	8/15/0	9/0/0			
			Oil Seeds, Linseed—					
			La Plata, Jan.	10/18/9	10/17/6			
			Calcutta	12/12/6	12/10/0			
			Turpentine	33 6	34 6			

* Week ended Jan. 5th.

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

THE ECONOMIST

Vol. CXXXIV

JANUARY 21, 1939

No. 4978

CONTENTS

LEADING ARTICLES

After Rome	109
Fixed Prices for Farmers—I. The Farmer's Chosen Remedy	110
India Approaches Federation	112
British Overseas Trade	113

TOPICS OF THE WEEK

Publicity for Defence Problems	115
Headway and Hesitation	115
The British Note to Japan	116
The Palestine Conference	116
Closing in on Barcelona	116
The Temper of France	116
Peace in East Norfolk	117
The Labour Opposition	117
The Fenians Again	117
Hungary Squares the Triangle—And Imrédy Takes the Offensive	118
The "Square Deal"	118
Road Transport in War	119
Deaths on the Roads	119
Wages in 1938	119

OVERSEAS CORRESPONDENCE

United States; France; Germany; Sweden; Japan; Hong Kong; Argentina	120
---	-----

LETTERS TO THE EDITOR

Profits in the United States	125
Germany Pushes South-East	125

BOOKS AND PUBLICATIONS

seems to have taken, throughout, two incompatible lines, either of which can be dropped and taken up again at any moment according to the way things turn out. On the one hand—and this, last week, was his dominant note—he beat the drum of peace. He wanted peace for the world, for Europe and for Italy; and he even went so far as to disclaim any intention of vindicating his claims against France by other than peaceful means. In sharp contrast to the language of the celebrated “spontaneous demonstration” in the Italian Chamber, the territorial element in these Italian claims seems to have been thrust into the background in Signor Mussolini’s presentation of them to Mr Chamberlain. Emphasis seems to have been laid on points on which there is obvious scope for give and take: the tariff of the Suez Canal dues and the Italian claim to some share in the administrative and financial control over the port of Jibuti and over the railway to Addis Ababa. The Italian demand in Tunisia, again, was presented, not as a direct territorial claim upon the French Empire which would inevitably mean war, but rather as a suggestion for securing equal rights for the Italian and French settlers in a Tunisian Arab State restored to full independence.

Yet, even while the last reverberations of this benignant big drum were still resounding reassuringly in the British visitors’ ears, the Duce, who is a consummately skilful conductor of his propaganda orchestra, was already calling up his screeching fifes. The Italian Press campaign against France ceased fire for the bare duration of the British visit to Rome, only to crackle out again, with all its former spiteful fury, the moment the British party boarded their train for Calais; and while they were still *en route* it was announced in Rome that Signor Mussolini had told them that, if in the near future any large-scale intervention were to occur in favour of the Spanish Republicans, then Italy would regard the non-intervention policy as having failed and would resume her liberty of action. This is perhaps the most impudently plain statement that Signor Mussolini has yet made of his own construction of the term “non-intervention” to mean intervention by the Axis Powers in the Spanish Nationalists’ favour while all other parties are to be inhibited from giving any corresponding help to the Republicans. At the same moment, the ominous meaning of this insistence is shown by the Duce’s refusal to entertain negotiations with France until General Franco has

conquered Spain. This can only mean that, in spite of all Signor Mussolini’s carefully-phrased pledges to evacuate his troops and maintain the *status quo*, a Fascist Spain is to be used to threaten France and consequently, at a near remove, Great Britain.

Thus the account of Italian policy which the Duce served up to his British guests was a kind of mixed grill in which peace with France and war with France were laid side by side on the dish. Mr Chamberlain—and we give him due credit for it—seems to have made it clear that only an Italian policy of peace with France would be compatible with Anglo-Italian “appeasement.” He is reported to have told Signor Mussolini that Britain’s ties with France were far closer than anything that could be expressed in mere juridical commitments, and that no threat to the well-being of France and the French Empire could fail to affect Great Britain and the British Empire immediately and profoundly. Signor Mussolini is said to have signified his recognition of this important international fact, and logically this ought to mean that an Italian policy of war with France is no longer contemplated. The head of the Italian State, however, is not a logician; he is an opportunist who is keeping both of two incompatible policies up his sleeve. And, while the solidarity of Great Britain with France might be decisive in deterring him from attempting a coup against Sfax or Jibuti, some conjunction of circumstances—presumably in the shape of potent and willing allies—which seemed to offer a reasonable chance of felling both the democratic Powers at one blow might equally well move him to throw to the winds his present policy of Anglo-Italian “appeasement.” Here lies the radical weakness of Mr Chamberlain’s attempt to place Anglo-Italian relations on an assured footing of peace. We are paying our side of the bargain cash down—in Spanish coin. But so far from there being any security whatever for the performance of Signor Mussolini’s undertakings, there are many signs—since his actions speak more convincingly than his words—that he intends to repudiate them just as soon as he is strong enough to do so. The conversations at Rome have changed little or nothing. They have certainly done nothing to diminish the likelihood that, before long, the Western Powers will have to face another aggressive demand from both Axis Powers, backed by the threat of their totalitarian force.

Fixed Prices for Farmers—I

The Farmers’ Chosen Remedy

IN recent weeks both the National Farmers’ Union and the Agricultural Committee of Conservative Members of Parliament have put before the Government proposals for fixed prices for all agricultural products. The N.F.U. sponsored in October a plan of “price insurance” to prevent the prices of farmers’ produce from falling to unremunerative levels. “Price insurance,” as the term is understood by the N.F.U., has already been applied to bacon pigs, wheat, barley and oats, and the proposal is that, for everything the farmer produces, a minimum should be set, below which his receipts cannot fall. The Conservative Agricultural Committee calls for guaranteed standard prices to cover the costs of efficient production plus reasonable profits. It is a feature of both schemes that the prices to be insured or guaranteed shall be fixed by an independent Commission on the lines of the Import Duties Advisory Committee. The formula—a guaranteed or insured price payable by an independent Commission—is that of the Wheat Act of 1932, and the Conservative Committee specifically refers to this Act as the example to be copied.

The Wheat Act has certainly worked more smoothly and to the greater satisfaction of the farmers than any of the other devices of agricultural policy in recent years. Its principles are simple in the extreme. A standard price (at present 10s. per cwt. or 45s. per quarter) and a standard quota of production (at present 36 million cwt.) are fixed, variable only at intervals of several years. Provided the total production does not exceed the standard quota, every grower of wheat receives such a sum as is necessary to cover the gap between the average market price actually realised and the standard price. If the production rises above the standard amount, the rate of assistance is reduced proportionately, so that the liability of the Commission cannot exceed the standard price for the standard quantity. The funds for these payments are raised by a levy imposed on all wheat flour, home-grown or imported, and the levy is, of course, incorporated in the price of flour and of bread.

The Wheat Act thus incorporates both a method of raising funds (by levy on the consumer) and a method of distributing the funds thus raised (by deficiency payments

limited to a standard output). When the farmers’ representatives put the Wheat Act forward as an example for universal imitation, it is not quite clear whether their approval extends to both sides of the transaction, to the methods of collecting the funds as well as to the methods of disbursing them. Very few consumers of bread are aware that the price of their loaf includes an element of tax. The wheat levy, in flat contradiction to one of the fundamental principles of the English Constitution, is not annually voted, or even annually discussed, by the elected representatives of the people. It is, in fact, out of the public’s sight and out of the public’s mind. But the principle of it is, nevertheless, iniquitous in the extreme. The wheat levy, it is true, is spread very thinly over a very large consumption, and it can make for itself the classical excuse that the serving-maid put forward for her illegitimate baby: it is a very small one. But the excuse is equally unacceptable; if this method were applied to other commodities, some of the levies would represent a sizeable proportion of the retail price. To raise money for agriculture by regressive taxes on the consumption of food is inadmissible. To attempt to do so in any other way than in the full light of day, by including the amounts in the annual Budget and requiring an annual vote, would be doubly unpardonable. As a principle of public policy, if any subsidies are to be paid to agriculture, they should be paid direct from the Exchequer and not raised by concealed taxes on essential foods. And if the application of the principles of the Wheat Act implies any departure from this principle, it deserves—and will doubtless receive—the most unyielding opposition.

It is only reasonable, however, to assume that the farmers’ representatives are much less concerned with the methods of raising the money than with the spending of it. They would be as well pleased—or almost as well pleased—if the cost of guaranteeing fixed prices were found out of the general funds of the Exchequer. The farmers’ proposals fully deserve to be discussed on the assumption that the money needed would be raised by more equitable and less damaging methods than the levy.

There is an interesting difference—which may perhaps be of more than purely verbal significance—between the original proposals put forward by the National Farmers’ Union and the form in which they were endorsed by the Conservative Agricultural Committee. The N.F.U. plan calls for “price insurance” plans to operate “wherever unduly low price levels are shown to exist.” The Conservative Agricultural Committee desires the guarantee of standard prices to be fixed at a level which will cover the costs of efficient production and allow for a reasonable profit. It might be thought that the wording of the N.F.U. proposal implied a more modest request; that the intention was not to guarantee a standard but to insure against excessive loss. In point of fact, it is unlikely that any such distinction can be drawn in practice. The statement by the N.F.U. in October, in which the proposal was formulated, declared that the prices “insured” by the Government’s present schemes for barley and oats and contemplated for manufacturing milk were “demonstrably too low,” and dissatisfaction is implied even with the standard wheat price, which has been above the market price throughout virtually the entire history of the Wheat Act.

It would therefore be unwise to assume that there would be any practical difference between the prices fixed by “price insurance” and those determined under the “guaranteed standard.” But the Conservative Committee has pledged itself to the policy of determining prices by cost of production plus a reasonable profit. Now this may sound very plausible if we discount the endless argument about what constitutes a “reasonable” profit. But the cost basis is, in fact, completely useless. To start with, costs are not independent of prices. At whatever level prices may be

fixed, the amount produced and the costs of production will in time adjust themselves to that level, either by the elimination of the higher cost producers or by their entry into production. Prices determine costs quite as much as costs influence prices. Secondly, there is no “cost of production” for any agricultural commodity; there is a very large range of costs. For instance, a recent survey of the costs of farms producing milk for the wholesale market showed total costs (excluding rent and interest on capital) ranging from 6d. to 14d. per gallon. Where in this range would the Conservative Agricultural Committee propose to draw the line between efficient and inefficient production? Further, in the case of crops, costs per unit of output vary with the yield. Whether the crop is a total loss or of record size, the farmer has incurred the costs of cultivation, of manuring, drilling and harrowing, and these costs will be lower per unit in a good year than in a poor one. But does the Committee mean to recommend that their standard prices for each crop should vary with the weather?

The truth is that the Committee has departed from the precedent of the wheat quota precisely where it should have been copied. If we are to have standard prices for agricultural products, these prices must be fixed in relation, not to any hypothetical “cost of production,” but in order to call forth that amount of each commodity (averaged in the case of crops over a series of fluctuating yields) which is considered desirable. For each major product, of which we may list twelve—milk, beef, mutton and lamb, bacon, pork, eggs, poultry, wheat, barley, oats, sugar beet, potatoes—the independent Commission which, in both schemes, is to determine the standard prices, would need to decide what quantity grown in these islands would best serve the interests of the urban consumer and the agricultural producer. Having settled this, it would further have to decide what price must be offered to call forth that quantity. And if the Commission took to heart the interests of the nation as a whole, it would decide for more milk, eggs, fruit and vegetables, and less wheat, beef and sugar, and would reduce accordingly the prices of these latter commodities, which Britain can get most cheaply from abroad.

But would the Commission be allowed to make such decisions? Both the N.F.U. and the Conservative Committee propose that it should be “independent.” But it is strange inconsistency to propose an independent Commission with such drastic powers and yet to storm against the “bureaucratic tyranny” of the Milk Commission, which Mr Morrison in his now moribund Milk Bill proposed to endow with infinitely less potent functions. Or are we to take it that what the farmers and their Conservative friends mean by an independent Commission is one that will be independent, not of agricultural interests, but of the nine-tenths of the population who are not farmers?

The main provisos to the farmers’ scheme that have been raised here are three: the money must not be obtained by levies on the consumption of food; any attempt to fix prices by cost of production is wrong in principle and administratively impracticable; and the body charged with fixing prices must be genuinely independent and charged with considering the interests of the farmers only in the framework of the national economy as a whole. When these provisos are made, however, there is much that is attractive in the proposal. It has consistently been urged in *The Economist* that such assistance as the community may decide to provide for the farmer should be given in the form of cash subsidies in aid of prices. But before the farmers and their political friends can be congratulated on conversion to the views of *The Economist*, the argument must progress beyond generalities and come down to specific figures, from which alone the cost can be calculated. This task will be attempted in a second article.

India Approaches Federation

A FEW weeks ago, in an address on the pressure of population in India, General Sir John Megaw drew attention to the fact that over half the Indian people, at least in the rural areas, fall below a minimal standard of nutrition, even on the frugal scale of a warm Oriental country. He showed that, in default of some improvement in economic output, the pressure of population is likely to drive down the average standard of life still further; for the population of some 400 millions is now increasing at the rate of $3\frac{1}{2}$ millions a year. The political leaders of India have themselves been earnestly taking up this problem. Late in December a so-called Planning Committee organised by the Congress met in Bombay, under the chairmanship of Pandit Jawaharlal Nehru, to consider how India's industries—urban and rural—should be developed with a view to raising the standard of life, combating unemployment, and caring for the rapidly rising numbers of the population. The industrialisation of India has been proceeding apace and is likely to go much further, since in the end it provides the only possible solution of the demographic problem. As Sir Thomas Aiscough, the British Senior Trade Commissioner in India, says in his latest report, published last week:—

During the past ten years scores of new industrial enterprises have been inaugurated in India which are swelling the total and increasing the variety of her production. They are, moreover, displacing imports, which have hitherto been obtained largely from the United Kingdom and which have provided a steady Customs revenue for the Government of India.

Industrialisation has been aided by the cheapness of labour, itself but a reflection of the low standard of living wrested from the land. It is true that the Indian workman is far less efficient than his European competitor, and that in total wage cost per unit of output the latter not infrequently has the advantage. But that does not alter the fact that standards of life in the tenements of India's industrial cities are appallingly low.

Nevertheless, the problems of industrial labour have not yet assumed the first prominence in Indian politics, although it is now nearly two years since popularly-elected Governments assumed office in the provinces. There are many reasons for this. In the first place, the rural and agricultural community greatly outnumbers the urban and industrial. In the second place, the factory workers are very difficult to organise because the majority of them keep one foot, so to speak, in their home villages, whither they return at any sign of serious industrial disturbance and where they can always find a living, either by their own efforts or at their relatives' expense. In the third place, the leadership of the Congress, which holds office (with or without allies) in every province but two, is predominantly middle-class in outlook, and is much more closely associated with agrarian agitation than with industrial trade unionism. Finally, the vital economic problems of India, urgent as they are, still remain partially obscured by the politics of nationalism. It is still possible for Mr Subhas Bose, the current president of the Congress, to perambulate the country declaring that nothing worth while can be done to improve the lot of the poverty-stricken Indian until India has obtained her complete constitutional freedom.

In so far as this propaganda has any rational grounds at all, it is based on two main allegations: that the British Government has overtaxed the people of India in order to maintain an expensive army for Imperial purposes, and that until British power has gone, with its inherent con-

servatism and its covert alliance with the landlords and capitalists of India, no national economic or social reform will be countenanced. Even if we take this claim at its face value, the landlords and capitalists will not disappear with the British administration. Many of them are to-day prominent in the Congress Party. Indeed, to judge from the way matters have gone in the provinces, a second bloodless revolution will be needed if power is to be transferred from the *bourgeoisie* to the masses and the vested interests of capitalism overthrown. Nevertheless, the movement of economic revolt has undoubtedly been gaining ground, especially in the peasant areas of Bihar, Orissa and the United Provinces, and big inroads have already been made on the privileged position of the *zemindars* (landlords). At the centre, great importance attaches to the Income Tax Bill which Sir James Grigg, with immense determination, steered through before the rising of the Assembly last month. For not only is it a vital element in the structure of finance on which the new Constitution will depend; it is also a critical step in the modernisation of India's fiscal system, by a shifting of some of the burden from the agricultural to the commercial and industrial classes.

There is not much elasticity in the Indian fiscal system, even in its revised shape. The difficulty of finding money for the purposes of government—expanding purposes, if Indian democracy fulfils its promises of economic and social reform—will be increased by the policies of prohibition, which eats into liquor excise revenue, and of industrial protection, which eats into the yield of Customs. This is one of the main reasons for Indian agitation for control of the Army, the cost of which threatens to increase with mechanisation and improved rates of pay. The Congress is to-day laying stress upon its policy of a "people's army." This implies not only the elimination of the British Army and the Indianisation of the officer cadre in the Indian Army, but also the recruitment of troops in proportion to the numbers in different areas and different communities.

This proposal at once raises in an acute form the problem of Hindu-Muslim relations; for at present the Indian Army is drawn very largely from the Muslims; and more especially from the Muslims of the Punjab. Hence the agitation has tended to embitter the already strained relations between the Muslim League and the predominantly Hindu Congress. This is one reason for the recent breakdown of attempts to establish a working pact between the two groups. Such a pact would pave the way for Congress leadership under the future federal constitution. At present, the ostensible Congress policy is still one of rigid opposition to a federation imposed from outside and scored with reservations and safeguards designed to inhibit the free working of Indian democracy. Beneath the surface, however, Congress opinion has drifted round to a more co-operative attitude. Certain conditions, it is stressed, must still be fulfilled, conditions which the more conservative Congressmen are anxious to prove can be satisfied without formal amendment of the Government of India Act. Of these, by far the most important is the stipulation that the system of election to the federal Chambers shall be such as to give the Congress itself a reasonable chance of obtaining—with reliable allies if necessary—a working majority.

This does not seem an extravagant demand on the part of an organisation which has proved its claim to speak for the bulk of Indian electors by forming Governments (in two cases with partners in coalitions) in nine of the eleven

provinces of British India. But the federal Constitution allows the Congress no hope of a majority even in the Lower House of the Federation, so long as the mass of the Muslims are hostile and so long as the States' seats are filled by the Rulers' nominees, who would presumably be anti-Congress. The approach to the Muslims having broken down on the fundamental point of the Congress's refusal to acknowledge the Muslim League as the sole effective representative of the Mussulman community, the Congress leaders have naturally turned their eyes to the seats allotted to the princely States. The agitation for democratic reform in the States is in part a spontaneous movement among the States' subjects themselves, and to outward appearances it is directed primarily to the greater participation of the people in the States' internal government. But it will be misunderstood unless it is seen against

the background of the struggle for power in the federal India of the future. For the Congress, the question of democratic election of the States' federal representatives is fundamental, deciding—as it may—whether the federation is to be introduced with the co-operation of the Congress or in face of a vast civil disobedience movement. It is, of course, even more fundamental for the Princes themselves. It is also fundamental for the Muslim League, whose only hope of federal power as a distinct organisation lies in the chance of straddling a balance between other groups. And, above all, it is fundamental for the British Government, with whom lies the decision at what moment and on what terms the great step of federation will be taken. This is the gravest of the important issues that will have to be solved in 1939, if federation is to be inaugurated with any chance of success in 1940.

British Overseas Trade

THE setting for Britain's overseas trade was not propitious in 1938. Last year resembled 1930 in that, when it began, the trade of the world was caught in recession, but differed from it in that the force of the downward movement in world trade and commodity prices was broken in the summer by the vigorous recovery in the United States. At home, business activity declined rapidly in the early months of 1938, was marking time in the summer and autumn, but turned again downwards towards the end of the year. The tables at the end of this article show how the interplay of domestic and world economic developments influenced the course of British overseas trade in 1938.

Recession at home and abroad inevitably curtailed the value of imports and exports in 1938, but, owing to the lull in the downward movement of business activity in the summer, the decline was much less marked than in 1930. Thus, between 1929 and 1930 the value of total imports and domestic exports declined by 14.4 per cent. and 21.7 per cent. respectively; between 1937 and 1938 imports fell by only 10.4 per cent. and exports by 9.6 per cent. But whereas in 1930 the decline in exports was proportionately much more marked than the fall in imports, the position was reversed last year, and exports declined less in proportion than imports. As a consequence of this, the import surplus, which rose by £5.5 millions between 1929 and 1930, actually fell by £43.4 millions between 1937 and 1938. By coincidence, the import surplus last year, £387.9 millions, was almost exactly the same as in 1930, though the combined value of imports and exports in 1938, at £1,391 millions, was £224 millions smaller than nine years ago.

To complete the comparison of trade movements in 1929-30 and 1937-38, reference must also be made to

changes in the average price and in the volume of imports and exports, revealed by the Board of Trade's quarterly indices and shown in the two tables printed at the foot of this page.

The timing of the turning points in the average price and volume of imports and exports in 1929-30 and in 1937-38 shows close correspondence. In 1929 the average price of imports turned downwards in the third quarter and in 1937 in the fourth quarter. Average export prices began to fall six months later in both periods, i.e. in the first quarter of 1930 and in the second quarter of 1938. The fall in average import prices between the third quarters of 1929 and 1930 and the corresponding quarters in 1937-38 (the figures for the fourth quarter of 1938 are not yet available) was 11.7 per cent. and 9.1 per cent. respectively. The fall in average export prices during those periods was much smaller than the decline in import prices, amounting to 2.6 per cent. and 1.2 per cent. respectively. But both import and export prices fell slightly less in 1937-38 than in 1929-30. The reduction in imports in both periods was appreciably smaller, by volume, than in exports. But while the quantitative decline in imports was almost identical both times, the shrinkage in exports has been much smaller this time. This can be attributed, in the main, to the recovery in the United States last year, which cushioned the recession in world trade and prices last summer.

As was to be expected, the incidence of changes in the value and volume of imports and exports between 1937 and 1938 was unequal. Quantitative changes in important commodities are shown in Tables III and IV. In view of the fall in the price of foodstuffs and raw materials and of the heavy accumulation of stocks in 1937, the fall in the value of imports was most marked in the case of primary

RETAINED IMPORTS (1935=100)					DOMESTIC EXPORTS (1935=100)				
(a) Average Price (c.i.f.)					(a) Average Price (f.o.b.)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1929	150.8	151.1	150.8	148.7	1929	124.8	122.5	124.5	123.2
1930	144.3	136.1	133.2	123.7	1930	126.0	122.2	121.2	117.6
1937	113.5	119.9	123.7	120.4	1937	105.2	109.2	113.1	113.2
1938	117.6	113.4	111.3	...	1938	113.9	111.9	111.7	...
(b) Volume					(b) Volume				
1929	104.0	100.5	100.2	113.1	1929	133.0	132.6	135.7	137.8
1930	102.2	97.9	96.3	110.6	1930	122.4	108.2	105.9	103.8
1937	106.0	110.5	110.6	128.6	1937	108.2	112.0	111.6	112.8
1938	111.4	104.4	106.7	...	1938	99.7	94.3	95.5	...

products. Thus, the fall in imports exceeded £5 millions in the case of the following items:—

PRINCIPAL DECREASES IN IMPORTS

	Imports in 1938 £'000	Decline between 1937 and 1938 £'000
Grain and flour	74,434	16,933
Wood and timber	42,900	18,872
Raw cotton	29,587	19,143
Raw wool	42,694	9,446
Hides and skins	18,249	6,920
Non-ferrous metals	40,848	14,865
Iron and steel	14,505	5,300

Imports of iron and steel were deliberately curtailed in order to soften the impact on the domestic industry of the fall in demand. Dairy produce and tobacco were the only items whose imports rose by more than £5 millions between 1937 and 1938.

An analysis of changes in the value of exports between 1937 and 1938 shows striking contrasts. The fall in exports, though fairly general, was greatest in textiles, iron and steel and non-ferrous metals. The decline in these items alone was £43.2 millions, representing more than four-fifths of the total fall in domestic exports. In textiles alone, the fall was of the value of 35 per cent., an indication of the severity of the slump in these industries caused by the fall in the prices of primary products and accentuated by the heavy stocks accumulated in many importing countries in 1937. In contrast, the value of coal exports was almost unchanged, and shipments of machinery and vehicles (mainly motor cars) actually rose. Exports of machinery in 1938 were actually £3.5 millions higher than in 1929, an indication, perhaps, of the tendency of primary producing countries to establish manufacturing industries of their own.

The long-term trend of the exports of most of the old staple industries compares unfavourably with that of the

remaining trades. This tendency is revealed in the next table:—

	DOMESTIC EXPORTS (In millions of £'s)				Decline 1929-1938 %
	1929	1932	1937	1938	
Coal.....	48.6	31.6	37.6	37.4	23
Iron and steel ...	68.0	28.0	48.4	41.6	39
Cotton.....	135.4	62.8	68.5	49.7	63
Wool.....	52.9	24.0	35.5	26.8	49
Total	304.9	146.4	190.0	155.5	49
Other exports....	424.3	218.4	331.3	315.4	26

The average decline in the value of the exports of the four staple trades between 1929 and 1938 was almost twice as heavy as the fall in other exports. Cotton has been replaced by machinery as the leading export trade. In contrast to the general belief, the decline in the value of coal exports during this period has been smaller, proportionately, than the fall in that of "other exports." This is due partly to the rise in the average price of coal exports, from £0.806 per ton in 1929 to £1.04 in 1938. By weight, exports of coal have fallen from 60 million tons in 1929 to 40 million tons in 1937 and 36 million tons in 1938.

On the whole, the reduction in Britain's overseas trade between 1937 and 1938 has been less severe than might have been feared. If recovery in America continues in the current year, the outlook for British exports is not altogether bad, though some further reduction may be expected in the next few months, when primary producing countries may adjust their purchases to the lower level of their exports. The course of our imports may also show a further shrinkage, at any rate in the early part of the year, when general business activity is expected to continue its downward trend. But when so much depends on political factors, it is foolhardy to predict the course of overseas trade more than a few months ahead.

OVERSEAS TRADE IN 1938

TABLE I.—RETAINED IMPORTS OF IMPORTANT COMMODITIES

Item and Measure	1929	1932	1937	1938
Wheat	110,822	104,617	95,090	100,424
Beef	12,288	11,980	13,306	13,267
Mutton and lamb	5,625	6,941	7,077	7,239
Sugar (unrefined)	40,940	32,994	44,318	47,548
Iron ore and scrap	5,756	1,911	955	794
Raw cotton	14,616	23,280	16,045	12,036
Sheep and lamb's wool	4,833	6,021	5,624	6,255
Flax, hemp and jute	323	240	322	300
Crude petroleum	487,348	368,397	527,267	567,909
Hides, wet and dry	925	1,135	621	494
Wood pulp	1,638	1,840	1,827	1,612
Rubber	2,890	1,123	2,039	2,960
Unwrought copper	147,604	143,191	399,783	354,668
Pig lead	270,052	252,229	335,756	382,306
Tin: Ore and concentrates	80,923	47,269	50,935	55,553
Blocks, ingots, slabs and bars	13,382	2,212	8,290	7,225
Iron and steel manufactures	2,813	1,590	2,026	1,310
Machinery	107,874	50,756	143,923	121,247

TABLE II.—DOMESTIC EXPORTS OF IMPORTANT COMMODITIES

Item and Measure	1929	1932	1937	1938
Coal	60,267	42,750	40,338	35,861
Iron and steel scrap	424	107	234	186
Pig iron and ferro-alloys	545	128	167	101
Railway materials	610	106	208	158
Total, iron & steel manufacs.	4,380	1,979	2,574	1,918
Textile machinery	127	63	73	71
Total machinery	562	302	438	460
Cotton yarns	166,638	141,663	159,028	122,933
Cotton piece-goods	3,672	2,198	1,921	1,386
Wool tops	32,737	42,754	40,180	32,458
Worsted yarns	38,798	32,039	25,452	22,905
Woolen tissues	108	54	80	59
Worsted tissues	47	28	43	32
Linen piece-goods	72	66	83	52
Leather boots and shoes	1,006	640	394	375
Paper and cardboard	5,047	3,870	4,390	3,529
Locomotives and parts	40,316	3,154	7,550	8,376
Motor vehicles and chassis	26,527	29,194	105,658	89,668

TABLE III.—AVERAGE PRICE OF IMPORTS

Item	Unit	Dec., 1937	Change 1936 to 1937	Dec., 1938	Per cent. change, 1937-38.
Wheat	cwt.	0.49	+ 0.43	0.26	-47.0
Chilled beef	cwt.	2.01	+11.7	2.07	+ 3.0
Bacon	cwt.	4.35	+ 7.3	4.05	- 6.9
Butter	cwt.	5.53	+19.5	5.33	- 3.6
Sugar, unrefined	cwt.	0.45	+21.6	0.43	- 4.9
Raw cotton (S-114 staple)	cental	2.25	- 4.1	2.29	+ 1.8
Wool, merino greasy	1,000 lb.	53.7	- 0.74	43.2	-19.6
Cottonseed	ton	6.39	- 6.7	5.90	- 7.7
Crude petroleum	1,000 galls.	9.98	+15.4	8.31	-16.7
Rubber, raw	cental	3.29	-15.2	3.31	+ 0.6
Copper (electrolytic)	ton	47.3	- 2.1	50.1	+ 5.9
Lead (unwrought)	ton	16.7	-31.3	15.6	- 6.6
Tin (blocks, etc.)	ton	241.2	+ 5.1	210.6	-12.7
Zinc	ton	17.5	- 0.55	14.1	-19.4

TABLE IV.—AVERAGE PRICE OF EXPORTS

Item	Unit	Dec., 1937	Change 1936 to 1937	Dec., 1938	Per cent. change, 1937-38
Spirits	Proof gall.	1.34	- 3.59	1.31	- 2.2
Coal, large steam	ton	1.05	+15.2	1.09	+ 3.8
Coal, sized steam	ton	0.97	+13.4	0.99	+ 2.1
Galvanised sheets	ton	19.9	+31.6	17.6	-11.6
Tinned plates	ton	25.7	+25.4	23.8	- 7.2
Steel tubes	ton	26.2	+37.4	23.6	- 9.9
Cotton yarn*	100 lb.	6.44	+ 4.4	6.30	- 2.2
Cotton piece-goods:—					
Bleached	1,000 sq. yds.	20.2	+13.4	16.8	-16.9
Dyed in the piece	1,000 sq. yds.	29.0	+ 8.06	27.8	- 4.8
Worsted yarns (combed)	100 lb.	18.3	+21.2	15.8	-13.9
Woolen tissue†	100 sq. yds.	18.9	+ 8.47	17.9	- 5.3

* Unbleached up to No. 40 count. † All wool, 8 to 12 oz. per sq. yd.

TABLE V.—VALUE OF IMPORTS AND EXPORTS

Year	Imports	British Exports	Re- exports	Total Exports	Import Surplus
	£ Mn.	£ Mn.	£ Mn.	£ Mn.	£ Mn.
1929.....	1,220.8	729.3	109.7	839.0	381.8
1930.....	1,044.8	570.6	87.0	657.5	387.3
1931.....	861.3	390.6	63.9	454.5	406.8
1932.....	701.7	365.0	51.0	416.0	285.7
1933.....	675.0	367.9	49.1	417.0	258.0
1934.....	731.4	395.9	51.2	447.1	284.3
1935.....	756.0	425.8	55.3	481.1	275.9
1936.....	847.8	440.6	60.8	501.4	346.4
1937.....	1,027.8	521.4	75.1	596.5	431.3
1938.....	920.4	470.9	61.6	532.5	387.9
Per cent. change, 1937-38	-10.4	- 9.7	-18.0	-10.7	-10.3

Topics of the Week

Publicity for Defence Problems.—Not the least pointed criticisms of the Government's attitude to defence continue to come from their own members. A week ago Mr R. S. Hudson declared that the country's motto for 1939 should be "drive, efficiency and outspoken truth."

I believe (he said) that the people of this country will rise to any occasion if they are told the truth about it.

In the same vein Sir Auckland Geddes, adviser to the Lord Privy Seal, in a speech made on Tuesday to rebuke the Government's extremist critics, said:—

I think there is too much secrecy. I think that if more were known of what was going on people would understand better. I wish a lot more could be told. I wish that the Press could let the people know how much is done so that the whole morale of the country could rise.

Most citizens and newspapers will share Mr Hudson's faith and echo Sir Auckland's longings. As it is, the public can only weigh the state of the nation's defences and the adequacy of the Government's plans by what they see and are told. Inevitably, they experience the forebodings voiced by Mr Eden last week-end: Are we really moving with sufficiently rapid strides in re-armament? Still organised, as we are, on a purely peace-time basis, can we ever overtake the arrears into which we have fallen by contrast with other countries? Their chief impression must be of an apparent reluctance on the part of the Government to take the initiative in devising bold (and expensive) plans for civil protection; of a situation in which official schemes are continually being altered, under protest, because of pressure from expert critics. Nor does this impression, in fact, arise merely from the Government's undue secrecy. There is an important point of principle involved. The Prime Minister has told us that he will not introduce a war-time regime until an emergency actually arises: there can be, for instance, no Ministry of Supply and no compulsory register until war is actually in sight. And, on Tuesday, Sir Auckland Geddes revealed that, although a Ministry of National Service already existed in skeleton form, with "a young and active man" already earmarked to be Minister, neither would be produced until the day of disaster dawned. Perhaps the best comment on the doctrinaire position which the Government have taken up in this matter was made by Sir Auckland himself:—

As an island nation (he said) we have been accustomed to wars which allowed us a period to make the necessary arrangements after the beginning of the war. That position is now past.

That is precisely why, in Mr Eden's words, "The nation

would welcome the greatest possible national effort in every sphere of defence"—even in peace-time.

Headway and Hesitation.—No sincere critic of the Government can ignore the difficulties under which Ministers are working. Rome was not built in a day; nor can London be defended in three months or even six. Passive defence is only a limited part of the problem of protection; and, within those limits, to reconcile the twin tasks of making Britain's cities as safe as possible in the very short run, and giving them maximum protection in two years or more is not easy. Camps for persons evacuated from urban centres may be desirable; but, as the Minister of Health maintained in a speech early this week, plans for billeting in private houses are essential until such camps can be fully provided. Similarly, even if deep bomb-proof shelters are ultimately indispensable, blast-proof shelters are needed until the underground refuges have been constructed; and there is the serious danger that, if deep shelters are decided upon and war comes before they are completed, the rush of citizens to occupy refuges which are not capable of accommodating them all may cause panic and chaos. Yet these are not arguments for sacrificing the long-term programme for greater safety to the temporary measures which are immediately needed, but rather for working along both lines at once with all speed whatever the cost.

The urgency of far-reaching action is now being realised. The latest evacuation proposals have been officially designated as provisional, and the construction of camps on a large scale is under consideration. The efforts of fore-sighted authorities, like Finsbury Borough Council, to provide deep bomb-proof shelters are at least not being discouraged. Sir John Anderson has approved the appointment of whole-time officials to organise the recruitment and training of air-raid wardens; and he has announced that, at long last, the regional A.R.P. inspectorate of the Home Office will be appreciably strengthened. On Tuesday, a White Paper detailed a plan to organise transport in war. Headway is being made. But the root trouble of hesitation remains. Sir John Anderson agreed last week, for example, that the Central London authority to co-ordinate A.R.P. which the metropolitan boroughs are asking for was needed. He even said that such a body was provided for in principle, but he added that it could only be set up in time of war. Better late than never, they say; but, in matters of defence nowadays, late and never may well prove to be synonymous.

The New York Trust Company

Capital Funds \$37,500,000

COMPLETE INTERNATIONAL
BANKING FACILITIES

100 BROADWAY, NEW YORK CITY

CABLE ADDRESS: NYTRUSTCO

EUROPEAN REPRESENTATIVE'S OFFICE: 8 KING WILLIAM STREET, LONDON, E.C.4

Member of the Federal Deposit Insurance Corporation

The British Note to Japan.—An incisive note on the British attitude towards Japanese aims in China was presented at Tokyo on January 14th by the British Ambassador. The note begins by outlining, on the basis of authoritative Japanese official statements, what the Japanese plan is. There is to be, in Eastern Asia, a *bloc* of three states: Japan, "Manchukuo," and Intramural China, the two latter being the puppets of the first, which is a Great Power in military, economic and political occupation of her nominal partners' territories. It is easily demonstrated that the partnership can only be a fiction to mask the reality of Japanese domination, and that the "sovereignty" of the two puppets can only be a sham. Yet, in the name of this sham sovereignty, all foreign Powers and their nationals are to be deprived of their present extra-territorial rights in China, as well as of their settlements and concessions. This will be fatal to the interests of every foreign Power in China save Japan. All of this is flatly contrary to the Nine-Power Treaty, and the British Government do not agree that this treaty can be modified by the unilateral action of one signatory.

* * *

Nor does the Government agree that the Treaty is obsolete or that it no longer meets the situation—except in so far as the situation has been altered by Japan in contravention of this treaty's terms. While not unwilling, in principle, to consider negotiating for the modification of any treaty, the British Government for the present reserve all their rights under the existing treaties relating to China. On the Japanese side, it is admitted that the Nine-Power Treaty is the crux. As long as Great Britain and the United States hold fast by the Nine-Power Treaty, they will be holding out for a state of affairs in Eastern Asia which is incompatible with Japanese aims. Japan is determined to turn the whole of Eastern Asia into a vast Japanese preserve, which will make Japan independent of all other sources of supply and all other markets. And she cannot do this if she has to keep her promise to respect China's territorial and administrative integrity. If the English-speaking Powers will only sacrifice Chinese independence to Japanese ambitions, then, in the Japanese view, there will be a possibility of reconciling strictly British and American interests with Japanese purposes. Japan might be prepared to ensure to the English-speaking Powers the preservation of their existing trade and investments in China in return for their abandoning to Japan the whole of the rest of the Chinese field, political as well as economic. The Japanese are now hinting that if the British and Americans remain obstinate in clinging to the Nine-Power Treaty, the Anti-Comintern Pact may be turned against them as an instrument for bringing them to reason. This suggestion is perhaps unlikely to make us more pliant.

* * *

The Palestine Conference.—The round-table conference on Palestine seems at last to be getting under way. The Transjordanian delegate reached London at the end of last week, and on Sunday there was a preliminary gathering of other delegates at Cairo, where the Prime Minister of Iraq, General Nuri es-Said, and the Crown Prince of the Yemen, conferred with the five Palestinian Arab leaders who have now been released from their place of internment in the Seychelles. The five had previously been in conference in the Lebanon with the Mufti of Jerusalem for the selection of the Palestinian Arab delegation and the determination of its programme. The representatives of the independent Arab states will probably prove to be in favour of some compromise which will enable them to reconcile their championship of the national cause with their desire to remain on friendly terms with Great Britain. At the same time, they are unlikely to press their views as vigorously as their Palestinian Arab colleagues, whose interests are directly at stake, and in the Palestinian delegation the Mufti and intransigence seem to be in the ascendant. The Mufti and his friends are fighting a simultaneous war against the Jews and British on one front and against their fellow Palestinian Arabs of the Nashashibi faction on the other; but this dispersal of energies may not weaken them so much as might be

expected at first sight, since the Nashashibi party seems now to have been routed so thoroughly as to be unable to put a spoke in the Mufti's wheel in the perhaps decisive months that lie immediately ahead. The Nashashibi party have been completely ruled out from representation, and the Palestinian Arab community will be represented in London by a monopolistic single party on the familiar "totalitarian" pattern. The delegation will also put forward a "totalitarian" programme. They will demand the establishment of an All-Palestinian Arab sovereign independent state, and the total and permanent shutting off of Jewish immigration. In return, they will be willing to grant minority rights to the existing Jewish population of Palestine, and to enter into treaty-relations with Great Britain on the lines of the Anglo-Iraqi Treaty of 1930. Beyond this, they will concede nothing; and it is equally certain that the Jewish delegation with whom they are nominally expected to confer will not look at such terms. It can thus already be foreseen that the conference will be little more than a time-consuming prelude to the imposition of a settlement by the British Government on both parties. This is the Government's declared intention supposing that the conference does not quickly lead to a settlement by agreement; and the Government have now had ample time to decide at last what their policy is to be. We wish we could feel confident that they know their own minds to-day any better than at any time during the last three years.

* * *

Closing in on Barcelona.—With its Government meeting in sound of the gunfire, the Republican army took up its stand on Thursday on the outer of Barcelona's last two lines of defence. They had fought a steady rearguard action all the week: on Sunday Tarragona and Reus fell, on Monday Cervera, on Wednesday Pons. On Thursday, General Franco made contact with the fortified line which runs down from the hills east of Pons, through the small industrial town of Igualada to Villafranca and thence to the coast at Vandell. Up to the time of going to press no breach has been made in this line, although it has now been shelled and bombed for close on forty-eight hours. The week-end may tell another story. If forced out of this line the Republicans will retreat to the final line which covers Barcelona, running from Cardona through Solsona and down the Llobregat river to the coast a few miles west of the city. Their gallantry is beyond doubt. Their reserves of native morale show no more signs of running out than do General Franco's reserves of foreign ammunition. In France, as in this country, feelings are deeply stirred by their resistance; and in France General Franco's advance has raised in more pressing form than ever before the dilemma of Non-intervention. The closed frontier is the subject of grave misgivings in the minds of many besides the followers of M. Blum, even though the Cabinet has decided against any change in policy.

* * *

The Temper of France.—M. Daladier has been enjoying publicity such as French Prime Ministers rarely enjoy, for on every cinema screen in the country he is being shown touring Corsica and Tunisia as the personification of France's refusal to surrender her imperial position at the sound of Italian trumpets. M. Daladier draws political strength from his ability to fill the rôle of the representative Frenchman—a democrat, a small town baker's son, glorified by the aureole of high political office. His prestige is liable to wax and wane like the moon owing to his difficulty in choosing and formulating a policy, but he is at the moment without any doubt by far the most popular and powerful member of his own Government. It has even been suggested that he might aspire next May to pass, like Poincaré in 1913, from the premiership to the presidency, but he would be unwise to entertain such ambitions before he has piloted his way through the greater part of the three and a half stormy months which lie before him. M. Daladier's own strong position has pushed momentarily into the background the rivalry between the pro-Munich and anti-Munich wings of his Government, led by M. Georges Bonnet and M. Paul

Reynaud. M. Reynaud had the advantage at the end of the year when he held the parliamentary stage and could claim a number of financial successes, whereas M. Bonnet's conciliatory attitude to Italy was becoming daily more unpopular. The prestige of a Finance Minister who bases his policy on the revival of confidence inevitably suffers when international tension brings rentes down, especially if he is off the stage. M. Daladier's tour, by satisfying national pride, has paradoxically provided M. Bonnet with some of the psychological cover which he needs for his policy. With a considerable section of the French public the case for it has been strengthened by the guarantees which Mr Chamberlain believes he obtained with regard to Spain while in Rome, and by the defeats suffered by the Spanish Government. The reception given to M. Flandin's speech on Tuesday, showed that M. Bonnet's position has been improved on the eve of his first full-dress speech on foreign policy to the Chamber—after nine months' tenure of the Foreign Ministry. The political weight of the Left is still noticeably diminished by the fiasco of the general strike and the differences on foreign policy revealed at the Socialist Party Congress. But it would be wrong to assume that French opinion is either acquiescent in Italian aggression or happy about the consequences. Under provocation, French tempers are rising.

* * *

Peace in East Norfolk.—The several rebels against Cabinet policy among Government supporters have one characteristic in common: their bark is worse than their bite. On Tuesday, the independent Conservative candidate who had been put forward by local farmers to fight the National Liberal nominee of the Government in the East Norfolk by-election, was not after all nominated. In response to a personal appeal by the Prime Minister and his written pledge that it was the Government's intention to proceed as quickly as possible with whatever legislation might be needed to restore prosperity to agriculture, Mr Wright, who had already declared himself to be an unswerving supporter of Mr Chamberlain's foreign and general domestic policy, withdrew; and the National Farmers' Union themselves endorsed his refusal to split the Government vote. The internecine quarrel in the Conservative ranks, which was not unconnected with the fact that the Government nominee in East Norfolk was a dependent Liberal, has suddenly collapsed, with both sides claiming victory. It is the official view that, since the prime issue in the election is Mr Chamberlain's peace policy, the farmers have loyally permitted the interests of the National Government to prevail. The farmers, on the other hand, whose outspoken criticisms of the Government's present agricultural programme have not ceased, also claim the day. Mr Chamberlain's message to Mr Wright means, they argue, that the justice of their demands has been conceded; and, presumably, they believe that the discussions which are now going on between their representatives and the Minister of Agriculture about an extended policy of price guarantees will result, not in a measured scheme to serve the interests of the community as well as those of producers (such as we discuss in a leading article on page 110), but rather in the payment of the full ransom they have demanded with menaces. It has still to be seen whether blackmail has really won. Pending a decision, farmers up and down the country are remaining at battle stations.

* * *

The Labour Opposition.—The leaders of the Labour Party have drifted into troubled waters and Sir Stafford Cripps is cast once more for the rôle of Jonah. On Wednesday a special meeting of the Party Executive was held to pass judgment yet again on the factious conduct of their learned colleague and to decide whether or not to cast him overboard at last. A week ago the Executive rejected by 17 votes to 3 a memorandum by Sir Stafford calling for co-operation with other parties and political groups in united opposition to the Government. The rebel retaliated by distributing his proposals to all members of the party, who were then hurriedly exhorted by the Executive to dis-

regard Sir Stafford's overtures since they were calculated to bring the party into confusion. The Executive's chief difficulty in taking action in this matter, which they referred on Wednesday to a sub-committee, lies in the inconvenient fact that Sir Stafford is, generally speaking, right; there is a large volume of anti-Government feeling which at present has no means of expression, and the sentiment is widespread, even in the Labour Party, that some common channel should be created. It is true, too, that the Labour Party has no discernible chance of winning an election in the near future unaided; that, in fact, the chief Opposition party has not gained a proportionate access of strength from the recent growth in criticism of the Government. Actually, the Labour Party's leaders, obsessed by a kind of doctrinal "racism," seem to have no over-riding wish to win elections. They have indeed lately formed a propaganda axis with the Co-operative movement, whose latitudinarian views about a Popular Front appear to place them perilously near the category of socialistically "non-Aryan"; but the writ *de haeretico comburendo* rules the party's councils rather than their constitutional obligation to seek the redress of popular grievances by persuading a majority of electors to follow their lead. The present position is deadlock: Sir Stafford is too able a colleague and has too much support among Labour Members of Parliament and constituency groups to be banished; but the opposition to his plans from the Executive and the trade unions who dominate conference votes is too strong for him to have his way. The unions distrust "intellectuals," and few of Labour's leaders are able to accept Sir Stafford's odd premise (unspoken this time) that the Labour Party can find the greatest volume of support among the handful of Communists on its Left rather than among the millions to its Right. Effective opposition to the Government from the Opposition seems, in these circumstances, unlikely. It is the Conservative dissentients who probably have success nearest to hand, if they care to grasp it.

* * *

The Fenians Again.—The mysterious series of bomb explosions in the neighbourhood of electric power-stations and transmission lines, which began on Monday, has a faintly nostalgic air of mid-Victorian Fenianism. There is strong evidence that the so-called Irish Republican Army is responsible, and the object appears to be to draw attention to the desire of that body to get rid of "partition"—i.e. of the continued existence, within the United Kingdom, of Northern Ireland. Fortunately, except for one case in Manchester, where one man was killed and two were injured, little damage has been done, and the general attitude of the British public seems to be that of tolerant amusement which is traditionally extended to the actions and antics of Irishmen, even when they are playing with dynamite, political or otherwise. Nevertheless, if the bombs serve the purpose

SUN LIFE ASSURANCE COMPANY OF CANADA

Incorporated in Canada in 1865 as a Limited Company

The largest Company of the
British Empire transacting
Life Assurance solely.

Assets £170,000,000

H. O. Leach (General Manager for British Isles)
Sun of Canada House, Cockspur St., London, S.W.1

of attracting attention to the state of affairs in Northern Ireland, they will have served a useful purpose. The Englishman obstinately considers that the question whether or not Northern Ireland shall have Home Rule, and within which country that Home Rule shall be exercised, is a matter for Irishmen to settle among themselves. But to leave the people of Northern Ireland to decide their own fate is one thing, and to use British money and British military force to bolster up, within the United Kingdom, a regime whose actions (as exemplified by the recent commitment to prison, without trial, of 34 men arrested on suspicion of Nationalist sympathies or worse) are contrary to Magna Carta, the Petition of Right and the Habeas Corpus Act, is quite another matter. It is high time that the political bases of Orange power in the six counties were fully examined.

* * *

Hungary Squares the Triangle.—One question which the Munich Agreement left unanswered was the precise way in which Herr Hitler meant to capture the political machinery of Balkan and other countries. The technique is now declared: the foreign policies of those countries are to be harnessed to the Anti-Comintern Pact. Hungary, after Czecho-Slovakia the least capable of protest, announced her adhesion last week. In the last resort, she had no alternative: but there is more than a hint of alacrity both in Hungary's adhesion to the Axis and in her adoption of an anti-Jewish policy. This, and her Ruthenian policy, have forfeited Hungary a large part of the respect she enjoyed in the West. It is being said—though on circumstantial evidence only—that Yugoslavia and Roumania have had private warning that the Third Reich expects similar movements on their part; and although the report may be premature, it is at least based on an intelligent reading of such facts as are known. Her size and position make Poland a special case. But it is unlikely that Colonel Beck's conversation with Herr Hitler, having by all accounts included the subjects of colonies, of the German minority in Poland, of a motor-road across the Polish Corridor, and of a more closely defined regime in Danzig from which League influence would be finally removed, left out the all-important subject of German-Polish relations and their bearing since November's improvement on feeling between Poland and the U.S.S.R. It is unlikely that last week's meeting at a shooting expedition of the Regent Prince Paul and King Carol was not used to discuss what the Governments of Yugoslavia and Roumania would do if they had to choose between the Anti-Comintern Pact, or alliance with Italy and thereby at second-hand with the Axis, and the chancy (and perhaps impossible) course of remaining unattached to anyone outside the Balkan Entente. And it is unlikely that Herr Hitler, having brought Hungary and Czecho-Slovakia into the anti-Comintern fold, will forgo further use of an effective means to East European hegemony. Exchanging pious sentiments this week with Dr Stoyadinovich, the Yugoslav Prime Minister, Count Ciano must have reflected bitterly on the impotence of Italian foreign policy which Hungary's action reveals. Her commercial influence in the Balkans is now negligible, and her diplomatic influence rests on no firmer base than the bombastic proclamations of the Italian Press. For all that Italy can do to stop them, every Government in the Balkans and beyond may hand over the conduct of its affairs to Berchtesgaden. Faced with the British Government's apparent indifference to their fate, those Governments have really a simple choice: to go in with Germany without preamble, or to wait upon events and trust that the British and the French will back their neutrality when the ultimatum falls. They may wish to take the second course, but if past events are any guide they will take it with grave misgivings, realising full well that their trust may be misplaced.

* * *

and Imrédy Takes the Offensive.—Inside Hungary the pace of political development is speeding. Imrédy means to put his land reform, now limited

to the annual transfer from big estates to small holdings of 140,000 acres up to a total of 2,000,000 acres, through Parliament as soon as possible. The sixty-odd Conservative deputies who caused the Government's defeat on a motion of confidence some weeks ago are still in clamant opposition to the land proposals, but in the event some of them may think twice before voting against them, all the more because the proposals are being criticised as too moderate. The Conservative opposition—as distinct from the extremists, who seem to be even more blind than most fanatics—now begin to see which way their defection is pushing the Prime Minister. They had hoped that he would drop the land reform, shuffle his Cabinet, and carry on in defiance of popular opinion. But M. Imrédy is proving himself of tougher metal. With the Regent behind him (and, for the moment, Herr Hitler too), it is he and not the land-owning Conservatives who is forcing the issue. On January 9th was founded a new national "movement," heralded in the German Press as a movement "of the masses quite unlike the old parliamentary clubs," which is clearly intended to provide a substitute for the extremist organisations and a warning to those who endanger the Government's stability. If M. Imrédy cannot get a majority for his land proposals, he may decide to shelve Parliamentary business until his new movement has organised itself for fighting elections, and then go to the country with full-blooded nationalist slogans and—one may guess—appropriate technique. For the letter of Hungarian democracy cannot long survive its spirit—and its spirit died this week with the formal recognition of Germany's predominating influence in Budapest.

* * *

The "Square Deal."—The railways' "Square Deal" is daily assuming a much more complicated geometrical shape. At the end of last week the Transport Advisory Council published some important modifications to the original proposals for complete abolition of rate-control. As a result, the railways now seek no alteration in the law relating to the provision of reasonable transport facilities, through rates and standard conditions of carriage. Moreover, the fears of many transport users, particularly the heavy industries, have been recognised by the proposal to hold regular consultations between the various trading associations and the railway companies on railway rates and charges. In the event of breakdown, appeal would lie to a body such as the Railway Rates Tribunal, which would have the power to decide upon the reasonableness or otherwise of the charges under dispute. By using recognised trading associations as a sort of clearing house for complaints and by employing negotiation before appeal proceedings, the railways would obtain part, at least, of the elasticity of charges which they originally sought, while traders would enjoy ultimate protection against unreasonable rates. The railway companies, moreover, are prepared to accept the suggestion that any legislation which may be introduced should be limited in its application to, say, five years. These modifications are to be welcomed, although they do not, in themselves, guarantee the success of the sectional discussions now proceeding between the various interests concerned nor ensure the ultimate aim of co-ordination. The precise state of the negotiations between the rail and road representatives is particularly difficult to determine. Reports that the road-rail discussions had practically reached an *impasse* have conflicted with hopes of agreement. It is understood, however, that further road-rail talks are due to be held next week, and their outcome will obviously be crucial. Meanwhile the evidence of the Traders' Co-ordinating Committee to the T.A.C. emphasises the need for simplification of the present railway classification, concedes that exceptional rates should be quoted without reference to the Railway Rates Tribunal, but makes certain stipulations regarding maximum rates. Whether these conditions would commend themselves in all railway quarters is doubtful, in view of Lord Stamp's criticism of maximum rates at a meeting in Manchester this week.

Road Transport in War.—The Government scheme for the organisation and control of goods transport by road in the event of war was issued by the Ministry of Transport on Tuesday. The scheme is based on the unanimous recommendations of the Road Transport (Defence) Advisory Committee, representing road transport operators and workers, and the railways, which was set up to advise the Minister of Transport. The basis of the plan is that all classes of operators, whether public hauliers or private traders, should in peace time and without interfering with their ordinary business, voluntarily form themselves into working groups. Fuel will be rationed in war-time for each group. The grouping will not apply to petrol and oil tank vehicles, nor to vehicles specially constructed for the conveyance of abnormal indivisible loads. The Chairman of the Traffic Commissioners, who is the licensing authority for goods road vehicles, will be the chief administrative officer in each traffic area, and in war he would become the Regional Transport Commissioner. The traffic areas are to be divided into districts, in each of which a Government district transport officer will be appointed, who will have under him sub-district managers, nominated by the operators who have joined recognised groups. The sub-district manager will have no duties in peace-time, but in an emergency he will be in charge of the rationing of fuel and the general operation of the groups. Alongside the Government officials will be area committees and district committees of operators on the same lines as the Ministry of Transport's own advisory committee. Except in special circumstances, groups will consist of not less than 25 and not more than 100 vehicles, and should comprise, as far as possible, vehicles used for the same type of work. Private traders' vehicles operated under "C" licence should normally be grouped together, and it is particularly desired that vehicles normally used in carrying raw materials for food manufacture and for the wholesale distribution of food, e.g. insulated meat vans, should be grouped together separately. An operator entering a group must agree to remain in it for one year, and after that give three months' notice of intention to leave. It is intended to compile and keep up to date a complete record of all licensed goods vehicles, and operators will be required to notify the group organiser of any changes in their fleets. The requirements of active and civil defence will have first claim on available fuel supplies, and fuel for ordinary commercial traffic will be severely rationed. No fuel ration above the minimum will be available for ungrouped vehicles. Steps are also being taken to ensure a sufficient supply of road transport drivers in war-time. As with so many other plans for war-time organisation, the chief criticism that can be made of this scheme is that it was not drawn up long ago. There is now an urgent need that it should be put into force, and the personnel appointed, as rapidly as possible.

* * *

Deaths on the Roads.—Since 1934, deaths and injuries on the roads have ceased to increase *pari passu* with the number of motor cars. Last year's returns show very little change on the preceding year, although the number of licensed vehicles increased by 6 per cent. between November 1937 and November 1938. This is, of course, an improvement, but it is regrettable that it has not yet been possible to reduce the absolute toll of life and limb. The returns do not readily reveal the effects of measures designed to reduce accidents, but there is some evidence of the success of the "courtesy patrols." This experiment was started last spring in the Metropolitan Police District, Essex County and in certain areas of Lancashire and Cheshire. Comparing 1938 with 1937, road deaths in the Lancashire patrol areas declined by 4½ per cent. and the number of persons injured by 17 per cent. against increases in the rest of Lancashire and in Yorkshire. Deaths in the Metropolitan Police District and Essex County declined by 7½ per cent. and numbers injured by 1 per cent., compared with a fall of 4 per cent. in deaths and a rise of 2 per cent. in numbers injured in the rest of Essex, Surrey, Kent and Herts. While not conclusive, these figures are certainly suggestive. The following table summarises the principal statistics for the whole of Great Britain.

	Pedestrians		Pedal Cyclists		All Classes	
	1937	1938	1937	1938	1937	1938
Killed	2,978	3,023	1,421	1,392	6,590	6,595
Seriously injured.....	16,593	16,561	14,663	13,540	52,412	50,977
Slightly injured	56,266	57,873	53,041	52,205	173,943	175,877
Total	75,837	77,457	69,125	67,137	232,945	233,449

Accidents to children continue at a high level, children forming 28½ per cent. of pedestrian fatalities, 37 per cent. of serious injuries to pedestrians and 43 per cent. of slight injuries: 15 or 16 per cent. of pedal cyclists killed or injured in 1938 were children.

* * *

Wages in 1938.—The well-known fact that wages tend to increase for a considerable time after business activity has reached its peak and has begun to decline is emphasised in the annual survey of wage changes published in this month's "Ministry of Labour Gazette." While business activity reached its peak in the late summer of 1937, wage rates continued to rise until May of last year. Since May increases in wages in some industries have been more than counterbalanced by decreases in others. But on balance the average level of wage rates at the end of December was estimated to be between 1 and 1½ per cent. higher than at the end of 1937. The following table summarises the position since the end of 1935:—

End of Dec.	INDICES 1924=100					
	Wage Rates (including Agriculture) (1)	Retail Food Prices (2)	Rents, Cost of Clothing, Fuel, Light, etc. (3)	Purchasing Power of Wage Rates in terms of		Insured Unemployed (excluding Agriculture) (6)
				Food (4)	Rents, Clothing, etc. (5)	
1935 ...	95.6	77.1	93.7	124	102	13.4
1936 ...	98.6	80.0	95.1	123	104	11.5
1937 ...	103.1	85.3	98.6	121	104½	12.1
1938 ...	104½	81.2	98.9	129	105½	12.9

Col. (1) Mr E. C. Ramsbottom's index for 1935, 1936 and 1937; provisional and independent estimate for 1938. Col. (2) Ministry of Labour index of food prices. Col. (3) Ministry of Labour index of the cost of living after excluding food prices. In Col. (6) the percentages for 1935 and 1936 have been adjusted for new method of counting the unemployed introduced September, 1937.

It has often been commented that the present cost-of-living index number, based on the purchases of pre-war working-class families, is inadequate to provide a reliable guide to the measurement of changes in real wages. This is partly because the average working-class family of to-day spends less than the assumed 60 per cent. of its income on food and partly because it buys a great many things, which either did not exist before the war or simply could not be afforded. Since the movements of the total cost-of-living index are in the main a reflection of changes in food prices, the table printed above divides it into two parts. Expressed in terms of food wage rates fell throughout the period of recovery and only rose last year, when food prices fell. On the other hand, the rise in money wages has all the time been greater than the rise in rents, and the cost of clothing and other miscellaneous items included in the present index; it has also quite probably been greater than the rise in the prices of other goods now purchased by the working classes. In any case, it is apparent that real wages to-day, though possibly on the downward grade, are still higher than a year ago.

The NATIONAL BANK of NEW ZEALAND, Limited

Established 1872

Head Office:—8 MOORGATE, E.C.2

Subscribed Capital - £6,000,000
Paid-up Capital - £2,000,000
Reserve Fund - £1,000,000
Currency Reserve - £500,000

The Bank has branches throughout New Zealand and conducts every description of Banking business with that Dominion.

Overseas Correspondence

From Our Special Correspondents

United States

The Dogma of Purchasing Power

NEW YORK, January 8.—At the present time, four economic concepts pervade and, perhaps, may be said to dominate American thought. They are not mere opinions, for the term opinion implies something more or less lightly held, and these views are now held in a dogmatic or doctrinaire fashion. That is to say, they are accepted as, say, the gold standard was formerly accepted—as something so generally accredited that to doubt it would be economic heresy if not social perverseness. These doctrines are not confined to any one party, group or class, and, while they are not unanimously held, the number of open dissenters is few.

The first—the other three largely derive from this one—is the doctrine of purchasing power. This appears in so many forms that it is perhaps best described by example. Last year the railways were hovering on the brink of bankruptcy; but railway wages, which had been raised just prior to the crash of 1937, were not cut because their reduction would retard recovery by reducing purchasing power. Again, the tariff has always been defended by the argument that it permitted high wages and so increased purchasing power; and, in the same way, the agricultural programme aims at raising the purchasing power of the farmer, to enable him to buy the products whose price has, by hypothesis, been raised by the tariff.

The purchasing power doctrine is often coupled with the theory of over-saving, especially in discussions of taxes intended less for revenue than to redistribute the national income. Historically, it is related to the theory of under-consumption as an explanation of the disequilibrium of supply and demand, which is otherwise called over-production. Under this doctrine purchasing power is regarded as antecedent to production; that is, purchasing power is not so much the reward of production as the initiating force of the demand that calls production into being. This concept is not, of course, confined to the United States; it has won considerable acceptance elsewhere, notably in France; but in no other country have its implications been so fully worked out.

The second doctrine is represented by the view that the cash deficit of the Treasury represents a contribution by the State to the national income—regardless of whether the deficit is financed by increasing the supply of money or by savings. Since the cash deficit is a contribution or addition to the national income (the aggregate of individual incomes, not the value of national output), and since the largest possible national income is admittedly desirable, any argument in favour of a balanced Budget is economically subversive, so long as the national income is below some acknowledged "normal" level. The view of the cash deficit as an addition to the national income has largely superseded the concept of the deficit as a "pump-priming" fund—just as the latter concept superseded the concept of the cash deficit as a vehicle of credit reflation.

The Short Working Week

The third dogma is the doctrine of the short working week. While the reduction of the working week to 48 hours was usually defended on grounds of good health, the reduction below 48 hours during the Depression was intended for the purpose of "sharing the work." The forty-hour week became quite widespread, and in 1933 it was incorporated in some of the National Recovery Administration's codes. The codes were abandoned, but practice in industrial relations quickly becomes traditional right, and the forty-hour week was widely retained or prescribed under collective bargaining agreements—which occasionally, indeed, reduced hours materially below forty.

Consequently, the legal limitation of the working week to forty-four hours in October occasioned comparatively little disturbance of existing industrial practice, particularly in the larger establishments. The Wages and Hours Act provides for stepping-down to a universal forty-hour week in two years' time.

Under the doctrine of purchasing power it is invariably insisted that hourly wages or piece-rates should be adjusted to compensate for the shortening of the week. In the pursuit of the principle of the shorter week, comparatively little attention has been given to its effect on labour costs.

There is some evidence that, in certain industries, improved technique or re-equipment has compensated for the shorter week, so that the benefit of technology has been translated into leisure for the workers, rather than into lower prices for the consumer, larger profits for the owners, higher wages or more employment. Labour-saving machinery has been, in a limited number of cases, utilised to offset the shorter week, but such re-equipment is costly, and only the strongest concerns have been able to do it.

Pensions Proposals

The fourth dogma is that the non-employed (the unemployed or the aged) have a claim to income related primarily to the need to maintain or increase their purchasing power. The principle of this theory is most clearly illustrated in the attitude towards old-age pensions. At present the law provides for non-contributory pensions of \$30 a month, of which (in general) \$15 may be contributed by the Federal Treasury and the remainder by the State of residence. The contributory Old Age Benefits of the Social Security Act do not become operative for some years, and they average much lower. In the recent election campaign promises of larger old-age pensions were among the commonest of arguments. The Townsend Plan for pensions of \$200 a month to every person over sixty causes less furore than two years ago, and the principle is now more widely accepted: namely, that the increased purchasing power generated by the pension payments would of itself cause an increase in consumption, and hence in production, that would, of itself, provide for their payment. If it did not, the cash deficit incurred by paying the liberalised pensions would increase the contribution of the Federal Treasury to the national income, and hence the payments would be economically justifiable.

Each of the three last-mentioned doctrines, as was said, stem from the doctrine of purchasing power. And this doctrine is shared by all sections of the community. Yet the tradition of the balanced Budget dies hard; and one commonly encounters an insistence upon the necessity of an eventual balancing of the Budget combined with an equal insistence upon the importance of sustaining purchasing power by the cash deficit's contribution to national income. Other people find it hard to reconcile devotion to the principle of purchasing power, as exemplified by the high nominal and real wages secured in the short working week, and the persistence of large unemployment—but they do not question their doctrinal premises.

This emphasis on the expression of the purchasing power theory in terms of the national income is of relatively recent growth. Earlier emphasis was on the influence of the price-level on purchasing power. Confidence that the price-level can be controlled, or the rate of industrial activity determined, by solely monetary devices has been considerably weakened in recent years; but to a considerable and growing extent the public mind is shifting to the belief that the national income can be raised to, and maintained at, a desired level.

France

National Effort

PARIS, January 19.—During the three months that followed Munich French policy benefited by a kind of armistice. The immediate foreign danger was past, but the fear of a conflict in September had been strong enough to convince public opinion of the need for a national effort to safeguard peace. During the period of respite it was possible to start an economic recovery by liberal methods as the recent rise in public funds has proved, but the need for

a national effort is still present. The foreign danger is no longer in the past tense; the Italian claims have shown that it is still to come. "The dictators will never give us a respite," is the view which is currently heard in the markets; and it is this sentiment that has put a brake on the spectacular recovery of the Stock Exchange.

Nevertheless, the situation now does seem rather different from the position in September—for three main reasons. In the first place, the military menace now comes from the Mediterranean. On the Rhine France is on the defensive, as Germany was in September. The Navy and the North African colonial troops are highly efficient. The output of aeroplanes is making good progress. And, moreover, French and British interests are nowhere so intermingled as on the road to India.

In the second place, the restoration of social peace at home has been greatly assisted by the Fascist claims on French territories. The workers are working longer hours, and many conservatives are convinced of the need to safeguard the standard of life. M. Daladier meets with unanimous approbation when he recommends a great national campaign to preserve peace and guarantee security against foreign dangers.

Thirdly, the national effort has already achieved results. The latest figures of industrial and commercial activity show that recovery is under way. This is, however, no more than a beginning. Further measures to reduce State expenditure, to lessen the burden of taxation, and to expand credit will become unavoidable. But the success achieved so far will make these steps correspondingly easier. France is in need of reform, and, if re-armament does not end in war, the foreign dictatorships will have done the country a service, because the mounting cost of re-armament will be met from the fruits of the national revival which has now been made inevitable.

Nothing very new and important has yet been done by the Government in the direction of far-reaching reconstruction. Orthodox members of the Senate have criticised the "Malthusianism" of certain employers. Exporters' associations have been created which will benefit from special tax exemptions. The grouping of industries is being planned so that they may raise money and re-invigorate business by profitable investment instead of bolstering the economy by the present costly public works.

These are only the first items in a joint public and private effort, which should produce significant results without weakening the rôle of profit and private capital.

Railway Economies

The National Railway Company has published its receipts for 1938 as follows:—

	1937	1938	Increase
Passenger fares	3,407,756	4,087,273	679,517
Luggage	69,805	86,542	16,737
Postal parcels	484,307	577,308	93,001
Merchandise	8,663,468	10,113,895	1,450,427
	12,625,336	14,865,018	2,239,682

Traffic actually fell. The number of loaded wagons was 15,528,475 against 17,170,859 in 1937. The rise in revenue combined with a shrinkage in traffic shows that the swelling of receipts was due to the increased rates and fares which were imposed in 1937 and 1938. These increases amounted on the average to 50 per cent. in the case of passenger traffic and 53.8 per cent. for goods. In the first week of 1939 279,207 loaded wagons were dealt with against 258,230 in the first week of 1938.

Finally, it must be noted that the total railway deficit for 1938 was still as high as 2,500 million francs. The Government refuses to increase rates still further, and the only way out seems to be to reduce costs, notably by a better co-ordination between rail and road. Operating costs per vehicle-kilometre are 15 francs by rail, 10 francs by railcar and 4 francs by bus. Experts estimate by replacing railway by bus services and railcar by bus services it would be possible to effect a considerable saving. A good deal has already been done in these directions, and other savings have been secured by stopping the fresh recruitment of staff and the fusion of services. Even a slight revival in business should practically cover the balance of the deficit.

In the week ended January 7th, the number of persons unemployed was 416,604, against 404,730 in the previous week and 380,938 a year ago.

Prices Up Again

Wholesale prices which have remained steady since the

summer are now tending to rise, mainly owing to seasonal circumstances, such as the rise in vegetable prices due to short supply.

	Dec. 17th	Dec. 24th	Dec. 31st	Jan. 7th	Jan. 14th
General Index (1914=100)	654	658	666	669	671
Domestic products	679	683	692	696	698
Imported products	610	613	620	620	621
Foodstuffs	627	636	648	652	657
Industrial products	678	679	682	685	683

Franco-German negotiations have been begun in Berlin for a new economic agreement. The chief topics under discussion are quotas, coke and iron ore contracts and the consequences of the annexation of the Sudetenland. In addition, M. Alphand, the president of the French delegation, has had a long conversation with Dr Schacht about the main economic problems of interest to both countries.

Germany

Jews and Christians

BERLIN, January 15.—Negotiations between the director of the Evian Committee, Mr Rublee, the president of the Reichsbank, Dr Schacht, and other officials of the Third Reich have reached a deadlock. The proposals made by Dr Schacht in London are not likely to be accepted; for the Third Reich intends to gain some material benefit from Jewish emigration, which other countries will on no account permit. On the other hand, Mr Rublee has made counter proposals which would be hard for Germany to accept, especially since guarantees against further Jewish persecutions are required.

At a ceremony at Lippe to celebrate the Nazi victory there in the 1933 elections, Dr Rosenberg, the "Party Philosopher," defined his attitude towards the Jews and the Churches. Possibly to exert an indirect pressure on the negotiations between the Evian Committee and the Government, Dr Rosenberg stated that the Jewish question would only be solved when there was no Jew left in Germany. He further maintained that the Jews were trying to obtain their own State in Palestine in order to appoint diplomatic representatives in other countries, who would further Jewry's desire for domination; and he voiced his suspicion that the projected Jewish State would be a hide-out for "Jewish criminals." How far the radical Nazis intend to go in their persecution of the Jews is indicated in Dr Rosenberg's statement that the Jewish question in Europe would only be solved when the last Jew had left the continent.

Dr Rosenberg launched into a similar tirade against the Churches, which he accused of shielding the Jews. The "era of creeds" was past, he said, and the "era of races" had begun. Such remarks suggest that Germany may intensify her anti-Semitic policy should the negotiations about Jewish emigration come to nothing; and that she may simultaneously strike a blow at the Churches, as the *Schwarze Korps* has so long demanded.

At the same festival, Dr Ley, leader of the Labour Front, discussed the shortage of labour. He was, he said, convinced that the productivity of German labour would be doubled within six years. The fundamental principles for efficiency were, according to Dr Ley, "work, achievement, diligence, sacrifice, willingness to give one's all and the spirit of communal life." It is worth noting, however, that, to take one example, the productivity of miners is already beginning to decrease, because these workers are over-pressed. Leading State officials have recently demanded that maximum wages should be granted only in exceptional cases, in order to avoid too heavy demands on the supply of scarce consumer goods.

Railways and the State

In a provisional report, the Reichsbahn (State Railways) announces that passenger traffic increased by 8 per cent. and goods traffic by 11 per cent. in 1938. Revenue from the carriage of passengers and luggage rose by 9½ per cent. to Rm. 1,300 millions, and goods receipts by 6 per cent. to

BRITANNIC
ASSURANCE COMPANY LIMITED
(Established 1866)

Annual Income - - - - £6,700,000
Assets - - - - £31,000,000

All classes of Life, Fire, Accident,
Motor and General Insurances transacted

Chief Office: BROAD ST. CORNER, BIRMINGHAM, 1

Rm. 3,120 millions. The average income per passenger-kilometre rose slightly, because the number of "Strength Through Joy" trips at reduced fares fell owing to the intense activity on defence works.

AVERAGE RECEIPTS (In pfennigs)

	Per passenger-km.	Per ton-km.
1929	3.02	4.56
1933	2.81	3.80
1937	2.37	3.68
1938	2.38	3.53

Average receipts from goods traffic fell further because of the numerous low exceptional rates. Transportation for State purposes (military, fortifications, Party, Four Year Plan and welfare) played a large part in the year's working; and the mobilisation during the summer and autumn was an appreciable factor. The free facilities granted for winter relief work were responsible for a fall in receipts of Rm. 16.2 millions. The revenue of the Reichsbahn, even including Austria, the Sudeten territories and the associated private undertakings, was Rm. 300 millions less in 1938 than in 1929, which is an interesting commentary on recent rate policy.

The accounts of the Reichsbahn for 1938 closed with gross receipts of Rm. 4,730 millions, against Rm. 4,420 millions in 1937; if Austria is included, total receipts were Rm. 5,050 millions. Details of expenditure are not yet available, but the ratio of receipts to revenue has moved unfavourably. Taxes and other payments to the State now amount to 12 per cent. of the railways' income.

The linking-up of the Austrian, Sudeten and German railway systems will entail costly works and extensions, while at the same time the general introduction of German rates and fares means reduced receipts. The Reichsbahn emphasises that its own resources are insufficient to carry through "urgent tasks of vast dimensions," and that the capital market, which is now practically at the sole disposal of the Reich, must be made available to the Reichsbahn for a loan. The current railway programme includes the new North-South municipal railway in Berlin; the centralisation of Berlin's large railway stations; the extension of the railway system in Austria and Sudetenland; the Rhine-Ruhr project; the electrification of the Nuremberg-Halle line; the reconstruction of municipal lines in Hamburg, Munich, Nuremberg, etc.; and the building of extra locomotives and wagons. Since the last public loan of the Reich has not yet been fully subscribed, the launching of a loan for the Reichsbahn will be difficult.

Government Building Demands

Abnormally heavy Government contracts have led to the overtaking of the building industry. The State orders are mainly for military and defence works; Government and Party buildings; and work on the motor roads, of which 1,000 kilometres are completed yearly. The contracts which have been given out up to the present amount in value to Rm. 30,000 millions, and, since the building industry can only handle Rm. 12,000 millions' worth of construction at one time, despite the fact that the industry's capacity is 40 per cent. greater than in 1929, the supply of orders represents two and a half years' full employment. In the first three quarters of 1938, however, there was a fall of 21 per cent. in the erection of flats and dwellings compared with 1937, which explains the housing shortage.

Herr Funk, Minister of Economics, who was recently charged with the centralisation of "rationalisation activities," has set up an advisory committee to increase output. This will entail further encroachment by the State on private industry. Similarly, General Goering has appointed a commissioner for the power industry with full powers to bring about an increase in the output of electrical power and to standardise its distribution—"setting aside all obstacles."

In December work on many building projects was stopped by bad weather, and the number of persons recorded in paid employment fell by a million, bringing the total number of employed persons down to 19.2 millions. The number of unemployed, however, only rose from 152,000 at the end of November to 456,000 at the end of December, against a rise of a million in December, 1937. The total number of unemployed in Greater Germany, including Austria and the Sudeten territory, was 824,000 at the end of 1938.

Coffee has become scarce owing to trade difficulties with Brazil—which sheds an interesting light on the alleged stability of bilateral trade agreements and barter arrangements. A Government decree has restricted the amount of coffee to be roasted; and shopkeepers will only sell coffee in limited quantities, and often only when other goods are bought as well.

Sweden

Independence and Neutrality

STOCKHOLM, January 12.—The speech recently delivered by the Foreign Secretary, M. Sandler, on the problems of foreign policy which confront this country in particular and all small countries in general, won approval far beyond the ranks of his Socialist Party. The passages emphasising the Government's intention to adhere to a policy of strict neutrality and not to give way to any foreign pressure, either of an economic or a political nature, gained special praise. M. Sandler called particular attention to the recent declaration of the Baltic States about common rules of neutrality, which coincided with those already adopted by the other Northern countries and therefore represented a constructive contribution to the regulation of the situation in the Baltic in case of war.

The Office of the Accountant General has completed its estimates of State revenue in the forthcoming budget year, 1939-40. Compared with the Budget estimates for the current financial year, there will be an increase in revenue from Kr. 1,130 millions to Kr. 1,190 millions. To make up the extra Kr. 60 millions, it is estimated that taxes will bring in an additional Kr. 27 millions, receipts on State account will rise by Kr. 13 millions and miscellaneous revenues by Kr. 20 millions.

Total State revenue, including revenue from productive State enterprises, is estimated at Kr. 1,341 millions, compared with Kr. 1,295 millions in the current Budget year, and the emergency Budget provides Kr. 70 millions for armament expenditure which, under prevailing political conditions, has become a necessity. It still remains to be seen whether the Government will resort to further increases in taxation or whether they will abstain from additional expenditure on social welfare—in view of the prevailing uncertainty about the development of the economic situation in the near future.

Business Improvement Persists

At the moment the improvement in general economic activity, which began in the autumn after a period of decline lasting from August, 1937, to June, 1938, is still proceeding. The general index of business activity (1935 = 100) showed a further rise from 113.3 to 114 in September. Important factors in this advance were enlarged industrial output, greater iron and steel consumption and satisfactory employment—all factors bound up with the building boom.

Foreign trade remains an unsatisfactory feature. In the period January-October the value of exports was Kr. 1,610 millions against Kr. 1,500 millions in the same months of 1937; and imports fell in the same period from Kr. 1,734 millions to Kr. 1,679 millions. In October the import surplus was Kr. 179 millions, compared with Kr. 124 millions in October, 1937. As long as the outlook for pulp and paper remains as unpromising as it is at present, no appreciable improvement in the state of trade can be expected.

Wholesale prices are still moving downwards, and the index of wholesale prices prepared by Professor Silverstolpe fell in November from 123 to 122—partly under the influence of declining corn prices. The money market is gradually returning to normal; refugee money is leaving the banks and the cash holdings of the joint-stock banks have contracted from Kr. 823 millions to Kr. 604 millions. Bank advances have risen by Kr. 48 millions to a total of Kr. 4,335 millions and deposits have fallen by Kr. 95 millions to Kr. 4,237 millions in all. No gold purchases have lately been made by the Bank of Sweden, whose gold reserve now stands at Kr. 707 millions.

The Stock Exchange was extremely dull throughout November and not even encouraging news from New York could induce investors to enter the market. Yet, most Swedish companies whose shares are listed on the official list have considerably consolidated their position in recent years, and should be able to maintain the present level of dividends, even in face of a business recession, provided this does not assume the aspect of a prolonged depression.

The war danger and, still more, fears of further increases in taxation and a more radical policy by the Socialist Government are the main factors which tend to divert investors from the stock market to less remunerative, but less speculative, investment opportunities. The growing unwillingness of capital to take risks, which must in the long run paralyse the normal growth of production and economic development, has become a subject of considerable concern to prominent business leaders in this country; and the problem will certainly crop up in the forthcoming informal discussions between the Government and representatives of industry.

Japan

Expenditure Still Growing

TOKIO, December 18.—The Budget estimates, for the fiscal year which begins on April 1, 1939, were approved by the Cabinet Council on December 2nd. Expenditure was fixed at 3,694.7 million yen, compared with the current year's original estimates of 3,514.5 million yen. The increase is mainly due to the growing debt services; various relief measures for disabled soldiers and soldiers' families; air-raid precautions; the extension of industrial capacity; the promotion of export trade; and river improvement.

The Army and Navy estimates together amount to 1,148 million yen, or 31.8 per cent. of total national expenditure, compared with 1,247 million yen, or 35.4 per cent. of expenditure, in the current year. This comparison, however, is now practically useless unless the war estimates, which are to be separately budgeted for, are taken into account. And any attempt to draw a line between defence votes and civil votes is rendered largely meaningless, because a good deal of expenditure incurred in the prosecution of the war is actually included in the civil estimates.

Revenue for the coming fiscal year, 1939-40, was estimated at 2,801 million yen, an increase of 295 million yen compared with the current year. Once more there is a huge deficit, this time of 893 million yen. Of this deficit, 809 million yen is to be met by a new loan.

Despite the objections of the Minister of Commerce and Finance, it was eventually decided that the financial provisions in the National Mobilisation Act should be enforced with the rest of the Act. Those controversial provisions provide, *inter alia*, for restriction of the dividends of companies benefited by the war and compulsory bank loans to war industries. This decision was a severe shock to business circles and the investing public, and they have not yet fully recovered. The clauses are, however, to be applied so as not to interfere radically with business management; the maintenance of "usual" rates of dividend, however high, will be allowed and only increases in dividend will be restricted. And, in the case of compulsory loans, the Government has apparently no intention yet of interfering with the loan policy of the commercial banks.

Satisfactory Foreign Trade

The returns of foreign trade are still surprisingly favourable. In November both imports and exports were higher than they were twelve months ago. The value of imports in the month was 217.4 million yen, which was 7.4 million yen, or 3.5 per cent., higher than in November, 1937. Exports, valued at 262 million yen, were 9 million yen, or 3.6 per cent. higher than in the previous November, and their value was the largest monthly figure recorded this year.

During the eleven months ended in November imports showed a fall of 1,145 million yen (32.5 per cent.) to 2,380.4 million yen; and exports registered a decline of 508.9 million yen (17.5 per cent.) to 2,393.8 million yen. Thus, in the eleven months, there was an export surplus of 13.4 million yen, compared with an import surplus of 622.5 million yen in the corresponding months of last year.

This improvement is not, however, quite so marked as it seems, if trade with China and Manchukuo (which is transacted in yen) is excluded. In trade with countries outside the so-called yen bloc there was an import surplus of some 500 million yen in the eleven months, compared with a deficit of over 900 million yen a year ago.

There has been a continuous expansion in the note circulation. In November, the average for the month was 2,025 million yen, compared with 1,997 million yen in October and 1,671 million yen in November, 1937. The Tokio Chamber of Commerce's index of wholesale prices registered a slight rise in November of 0.2 per cent. The Tokio Stock Exchange's index of share prices for November fell by 9.4 points, and at the end of the month stood at 136.7 against 146.1 a month earlier.

Hongkong

New Importance of Macao

HONGKONG, December 21.—The Japanese have not succeeded, so far, in killing British trade with South China, but since their entry into Canton some two months ago they have placed many formidable obstacles in its way. The railway has been entirely out of commission, the telephone line is cut, the air service suspended, and the river forbidden

to all non-Japanese vessels. Nevertheless, foreign gunboats have ignored the ban and an unofficial bi-weekly service has been arranged between the British, American and French navies. This gunboat traffic provides the only means of communication between Hongkong and Canton (except for wireless); and the boats carry a limited number of non-Chinese passengers whose baggage usually includes purchases on behalf of residents of Shamen as well as correspondence. Although the regular mail service has been suspended since the fall of Canton, the Japanese are prepared to dispatch mails from Canton to Hongkong via Formosa, a detour of some five or six hundred miles for a direct journey of 90 miles.

Trade which would normally flow from Hongkong to Canton and the ports on the West River is diverted to the Portuguese colony of Macao, some 40 miles from Hongkong. Between the two colonies there are now some six or seven river steamers plying daily with cargo and passengers. Macao, which has steadily decayed during the ninety-eight years since the establishment of Hongkong, is now a busy entrepôt from which goods filter, chiefly by junk, into the interior and to which the produce of South China is conveyed by all sorts of devious ways and means.

At present the port of Macao is too shallow for ocean-going steamers to call; but the Japanese have announced that they will start a line of steamers between Macao and Canton to carry Chinese and Japanese passengers only. There is also a report that they mean to assist the Portuguese in developing Macao to replace Hongkong as the deep sea port of South China. In the meantime, however, some of the foreign firms which have hitherto functioned in the Shamen at Canton have transferred their offices to Hongkong, and a certain amount of business is being done in silk and other China produce. It is possible that the valuable silk trade may be transferred to this Colony in the same way as the tea trade has come here from Shanghai.

Canton and Refugees

The city of Canton is beginning to show signs of life again. For the past two months trade has been confined to the market for looted goods and the places where country people assemble to sell vegetables. Now tea houses and small shops are reopening, and many of the better-class citizens are returning from a countryside where brigandage is rampant. The Japanese have set up a puppet Government and with great difficulty have persuaded Chinese ex-officials to take office as Chairman of the Provincial Government in one case and as Mayor of Canton in another. For all practical purposes, of course, the city will be administered by the military commander. The troops at his disposal appear to be limited and garrisons left on the march from the coast to Canton are now withdrawn.

A few weeks ago a small force made its appearance along the British border for the purpose of rounding up remnants of the Chinese defenders; and its operations led to a large influx of refugees into British territory, at one time estimated at more than 50,000. Later negotiations between the British and Japanese military authorities resulted in the complete withdrawal of the Japanese troops, but it was some little time before the refugees could be persuaded to return to their villages. With the co-operation of the Hongkong Government local charitable organisations have established in Chinese territory a refugee centre which provides food

NATIONAL BANK OF GREECE Established in 1841

Head Office: Athens
Branches and Agencies throughout Greece

Affiliated Bank:
HELLENIC BANK TRUST COMPANY
139 William Street, NEW YORK

Capital paid up and Reserves Drs. 1,205,000,000

Books and Publications

Wealth and Welfare

THE politicians seem likely to leave the League of Nations in the lurch. Economists are more loyal, for they cannot dispense now with Geneva. They rely upon the data collected and expounded by the Economic Intelligence Service of the League for comparative information about social and economic matters in most countries of the world; they base their assessments of current economic trends upon calculations made by the League's experts; and they look to economic committees of the League to furnish, not only news about the policies pursued by member States, but also guidance in tackling problems of production, trade and welfare on practical lines. Economic views from Geneva are commonly accepted without prejudice and, since applied economics is first and last a comparative study, the clearing house which the League has set up is indispensable to professors and Ministers alike.

Four volumes* published this month aptly illustrate the double function of the League's economic and financial publications. Two, on world trade and balances of payments, are annual surveys; every year they are relied upon for the most authoritative statements of their subject matter. The other two impinge upon policy: one records the measures which have lately been applied by various Governments to survey the food habits and state of nutrition of their citizens as first steps towards improving their standard of living; the other analyses the need for organised credit in agriculture and describes the different systems of credit and insurance that have been introduced for the benefit of farmers.

The interest of the two statistical volumes is not confined to their scope and reliability. In the comprehensive and ingenious tables of the foreign trade of 66 countries in the years 1935-37 (improved once again by the compilation of an increasing number of tables of imports and exports on the common basis of the "Minimum List" of 456 commodities recommended by the League Council in 1935), the varied pattern of world recovery from the depression of the early thirties can be traced. It is possible to contrast the differing fortunes of different countries by comparing the rate and extent of their trade, during the trade cycle's upward swing, in raw materials, machinery, metal products, textiles and chemicals, respectively.

Similarly, the survey of 33 countries' balances of payments in the decade up to and including 1937 shows striking changes in trend. Six creditor countries (the United States, the United Kingdom, France, Holland, Eire and Sweden), who between them had a considerable credit yearly on current account up to 1930, showed on aggregate a debit balance in

* "International Trade Statistics, 1937." Economic Intelligence Service of the League of Nations. Allen and Unwin. 450 pages. 12s. 6d.

"Balances of Payments, 1937." Economic Intelligence Service of the League of Nations. Allen and Unwin. 212 pages. 6s.

"National Nutrition Policies, 1937-38." Economic Intelligence Service of the League of Nations. Allen and Unwin. 120 pages. 2s. 6d.

"Systems of Agricultural Credit and Insurance." A Report submitted by M. Louis Tardy to the Assembly of the League of Nations. Allen and Unwin. 116 pages. 2s. 6d.

A World-wide Survey of Price-Control Schemes

GOVERNMENT PRICE-FIXING

By JULES BACKMAN

Instructor in Economics, New York University.

A critical survey of government price-fixing and production-restriction schemes in all parts of the world from the Great War period to the present day. The author analyses each scheme, and suggests means of overcoming its defects. 304 pages. 12/6 net (by post 13/-).

Order from a bookseller or direct from
PITMAN, Parker Street, Kingsway, London, W.C.2

four out of the succeeding seven years, as well as in the seven years taken together. Several debtor countries, on the other hand, were able to pay off part of their foreign debt in the busy years 1936 and 1937 by reason of their current credit surplus. Throughout the later period the importance of "hot money" in international payments is clearly shown by the figures.

Against the world background etched in fine detail by these statistical surveys the programmes of betterment indicated by the last two of these four volumes stand out in relief. Nutrition has become a chief theme at Geneva; and, in the simplest language, the report on national nutrition policies describes what is being done to analyse the nutritional value of actual diets. The conclusion that, even in the wealthiest countries, the diets of something like half the population are in some ways insufficient shows how imperative and widespread the need for State policies to make cheap and nourishing food generally available really is.

From food to food producers is scarcely a step at all. Popular nutrition and farmers' prosperity go hand in hand. M. Tardy's report on systems of agricultural credit is an invaluable item in the formulation of programmes to stabilise the livelihood of farmers in face of the vagaries of harvests and markets. In all, the rôle of the economic labours of the League has never been more evidently vital than now, despite the rising toll taken of the world's wealth by preparations for war, for upon the success of such labours peace no less than prosperity may well depend.

Shorter Notices

"Our Own Times, 1913-1938." By Commander Stephen King-Hall. (London). Nicholson and Watson. 1,150 pages. 12s. 6d. net.

In 1935 Commander King-Hall's "Our Own Times" provided an excellent example of how vivid descriptive powers allied to a gift for condensation could produce a contemporary history with a wide appeal. The original two-volume work, which went through four editions, has now been brought up to date by including an account of the last five years up to the crisis of September, 1938. The high standard set remains unchanged, and "Our Own Times, 1913-1938," can be read as history or, helped by a comprehensive index, can serve as a first-class work of reference.

"Le Mouvement des Grains dans le Monde." By Paul van Hissenhoven. (Brussels). Editions Ceres. 860 pages. No price stated.

The recent meetings in London to discuss the world wheat position lend added interest to this survey of grain marketing. M. van Hissenhoven discusses in detail the capacity and characteristics of grain exporting countries, one by one; describes exhaustively the Antwerp market for grain; and concludes a compendious work with a valuable account of the principal grain markets in other countries. From his complete and vivid picture emerges what he calls the grain problem: no longer the problem of producing the cereals men need, but rather of making available or distributing the plenty which is now produced. He envisages grain as the essential item in the flood of goods which freer international trade would let loose once autarky were ended as the policy of nations.

"Foreign Affairs." (January, 1939). Council on Foreign Relations, Inc., 10 Ferry Street, Concord, N.H., U.S.A. \$1.25 quarterly.

The views of contributors to this American quarterly are always expert and authoritative, and the first issue of 1939 is more valuable than ever. The set-piece is a 90-page article by Hamilton Fish Armstrong on the proximate origins of the Czechoslovak crisis of last year, the detailed course of diplomatic events from March to October and the consequences for world affairs of the Munich Settlement. The narrative is shrewdly and succinctly told, assembling episodes and documents in a fuller pattern than we have yet seen and unfolding a tale which, for all the objectivity of its telling, must make sorry reading for French and British people. Excellent pendants to this comprehensive account of events are articles by Miss Wiskemann, on "Czechs and Germans after Munich"; by Dr Toynbee on "A Turning Point in History"; and by Mr Nicolson and M. Géraud on what their two countries, England and France, now mean to each other in the frame of international uncertainty.

THE BUSINESS WORLD

The Plight of Shipping

FOR many years British shipping and shipbuilding stood unrivalled in efficiency and size. As lately as 1937 the net earnings of our merchant fleet, amounting to £130 millions, were sufficient to pay for nearly 14 per cent. of our net imports of merchandise. To-day both industries are threatened with serious calamity. The income of shipowners is insufficient to maintain the efficiency of their fleets by replacing old vessels with modern tonnage, and shipbuilders find the greatest difficulty in obtaining any new orders. Both industries, hitherto the champions of free trade, have now asked the Government to come to their rescue. The public is sympathetic and the Government has promised generosity. But the discovery that the two industries in which we have hitherto been pre-eminent are in need of such extensive help has come as a shock. How did it come about that Britain's position in shipping and shipbuilding has been undermined so swiftly?

The fundamental acquiescence of the pre-war world in Free Trade and in the economic interdependence of nations was demonstrated in nothing so strikingly as in the willingness of the world to allow Great Britain to build its ships and carry its goods. In the years before the war, Britain owned about half of the world's shipping tonnage; in the years 1909-13 British yards actually built 61 per cent. of the world's mercantile tonnage. The Great War, however, disclosed to foreign countries the disadvantages, to them, of the near-monopoly of British ships and shipbuilders. In the war years, British ships were fully occupied in supplying Great Britain and the British armies, while the shipyards were not interested in foreign orders. From this time dates the determination of many countries to acquire an adequate merchant marine of their own, even at the cost of drafts on their exchequers. The effects of this change in policy can be seen in the following table and in the diagrams on page 153.

BRITAIN'S POSITION IN SHIPPING AND SHIPBUILDING
(In thousands of gross tons)

	1913	1929	1938
I. Tonnage owned (a) :—			
Britain	18,274	20,046	17,675
Rest of world (b)...	20,944	41,115	43,685
Britain's share %	46½	33	29
II. Tonnage launched :—			
Britain	1,932	1,523	1,019
Rest of world	1,401	1,270	1,967
Britain's share %	58	54½	34
III. Tonnage commenced :—			
Britain	1,833	1,650	505
Rest of world	Not available	1,347	2,027
Britain's share %	...	55	20

(a) Steam and motor tonnage. (b) Excluding Empire and American lake vessels.

At first foreign countries were content to increase their shipping capacity with the assistance of British shipbuilders. Thus, while Britain's proportion of the world's steam and motor tonnage (excluding Empire and American lake vessels) fell from 46½ per cent. in 1913 to 33 per cent. in 1929, the proportion of the world's tonnage launched by British shipbuilders declined only slightly, from 58 per cent. to 54½ per cent.

During the past ten years, however, Britain has also lost her position as the world's shipbuilder. While Britain's proportion of the world's shipping capacity declined further, from 33 per cent. in 1929 to 29 per cent. in 1938,

the proportion of the world's tonnage launched by our shipbuilders fell from 54½ per cent. to 34 per cent. The decline in shipbuilding, moreover, has already gone beyond the loss of foreign custom, for the high cost of construction has forced British shipowners to place orders abroad. At the end of 1938, when the tonnage under construction in this country for foreign owners was valued at £3,500,000, shipbuilders abroad were building vessels for British owners valued at £6,500,000. In 1938, British shipbuilders obtained only one-fifth, and in the last quarter only 15 per cent., of the world's orders for merchant vessels.

"Shipping," as Mr Kennedy, the American Ambassador, recently pointed out,

"has ceased to be a business in most countries and has become instead an adjunct of national defence. . . . We sometimes find it expedient to do things for ourselves which could be done better and more cheaply by the people of other nations."

But while the tendency to economic nationalism, and with it subsidies and flag discrimination, may have been accelerated on strategic grounds, it would be doing a disservice to the British public (which will have to foot the bill for assistance to shipping and shipbuilding) not to draw attention to certain other factors which have contributed to the decline of the two industries.

The Deep Sea Tramp Fact-Finding Committee of the Chamber of Shipping, in its report issued last week, did not mince words. Foreign tramp shipping has the advantage over the British industry by reason of :—

- (a) The lower capital cost of ships, which cannot be ascribed solely to State aid;
- (b) lower running costs—wages, manning, insurance and in some cases accommodation;
- (c) lower cost and speedier execution of repairs;
- (d) Government subsidies, indirect aids, preferences, and flag discrimination.

The Committee adduces a mass of evidence in support of these statements. So far as construction costs are concerned, it states categorically that these are higher in the United Kingdom than in other countries. The price of a cargo vessel of 7,500 tons d.w. built to plain specifications has risen from £67,500 at the end of 1929 to £108,000 at the end of last year, an advance of 60 per cent.

The increase in running costs during the past two years has been substantial. The cost of repairs has risen by 30-35 per cent.; the price of coal has advanced by 25-30 per cent.; stores have risen in price by about 10 per cent. and wages by 20 per cent. Moreover, the improvement in labour conditions has also added to expenditure.

Shipbuilders, in turn, point out that theirs is only an assembly industry, and that the rise in construction costs is due to higher prices of materials and wages over which they have no control. Re-armament, in their view, has contributed to the rise in costs.

These, briefly, are the unpalatable facts which prompted the once stout defenders of free competition to seek Government aid. It is contended that if British shipping is not to be driven off the high seas, and the shipbuilding industry is to continue to exist, the Government will have to come to the rescue of the two industries. But in view of the fact that the resources of the Treasury are already

heavily mortgaged by the increase in defence expenditure, a further appreciable draft on the Exchequer needs to be justified on solid grounds. The case for assistance, however, transcends mere sectional interests. The vast distances between the units of the British Empire, and Great Britain's dependence on overseas supplies of foodstuffs and raw materials, necessitate the maintenance of a large shipping, and consequently a large shipbuilding, industry. The demand for Government assistance, therefore, does not rest merely on the desire to maintain these industries in being for reasons of prestige, but on an urgent strategic necessity. In sum, it is widely held—and there is justification for this view—that Government assistance to the shipping and shipbuilding industries should form an integral part of re-armament, and is as urgent and necessary as the manufacture of guns.

But, granted the necessity for the maintenance of vigorous shipping and shipbuilding industries, what form should Government assistance assume? Here we come to the crux of the problem. The shipping industry, at the behest of the Government, has already presented its proposals, outlined on page 65 of *The Economist* last week. These proposals involve an annual expenditure of at least £8½ millions, and if "something is to be done" for shipbuilding as well, total expenditure would, on this basis, exceed £10 millions per annum.

In essence the shipping industry's proposals consist of a list of demands for financial assistance to the various sections of the industry and for other measures designed to increase the employment of British shipping. The industry lays stress on the importance of shipping in peace and war, but the published proposals have no reference to the size of the various categories of shipping tonnage which it is desirable should be maintained. Moreover, the proposals are purposely confined to shipping and have not been designed as a comprehensive scheme for shipping and shipbuilding together. They contain no suggestions concerning the industry's own contribution to the solution of the problem. In short, the shipping industry was asked to make out a case for assistance and it has done so.

It would be folly if the Government were to carry out these proposals without a further and searching investigation. First, the problems of shipping and shipbuilding must be tackled as a whole. Secondly, the Government, after carefully examining the relation of shipping and shipbuilding to the national economy in peace and war, must take a view concerning the size of the total fleet as well as that of individual categories which it is desirable to maintain in the national interest. The proportion of the world's merchant fleet owned by Britain should clearly not be allowed to fall below the British Empire's proportion of the world's sea-borne trade. As the table following shows, Britain's proportion of the world's sea-going steam and motor tonnage is already no greater than the Empire's proportion of the world's sea-borne trade. But to attempt the maintenance of a fleet largely in excess of the Empire's requirements of carrying space might be much too costly.

THE WORLD'S SEA-BORNE TRADE

	1913		1936	Proportion carried by British vessels
	% of Total	% of Total		
Empire to U.K.	6.1	9.3	93	
U.K. to Empire	6.3	6.3	99	
Empire to Empire	1.7	2.8	77	
Total Inter-Imperial Trade	14.1	18.4	93	
Foreign Countries to U.K.	17.3	14.2	52	
U.K. to Foreign Countries	12.8	7.6	61	
Foreign Countries to Empire	4.2	7.7	37	
Empire to Foreign Countries	6.0	8.1	39	
Total Trade between Empire and Foreign Countries	40.3	37.5	48	
Trade between Foreign Countries	45.6	44.1	12	
World Trade	100	100	40	
Britain's proportion of world's sea-going steam and motor tonnage...	52	37	...	

Thirdly, the capacity of the British shipbuilding industry should be effectively maintained at a level at which it will be able to meet the maximum of likely requirements of the Admiralty, and British shipowners, with a margin for export orders.

Lastly, though it is unquestionably true that the British shipping and shipbuilding industries have to compete against subsidies, low wages, inferior conditions and flag discrimination, it is not so self-evident that these factors are the full explanation of their competitive failure. How is it possible, for example, for Dutch shipyards, as has frequently been alleged, to build ships entirely of British materials for less than the cost in British yards? How is it that the Scandinavian countries, with wages not much lower than the British, with crew conditions on the average superior, and with little or no advantages by way of subsidies or legal preferences, maintain their competitive position with more success than we do?

Before any subsidy or "fighting fund" is granted, the Government must carefully investigate the causes of the comparatively higher building and running costs in this country and must insist on cost reductions where this is possible by technical, structural or organisational changes in the two industries and in those of their chief suppliers. Shipping and shipbuilding could never thrive if their costs remained permanently above those of other countries, exclusive of subsidies. As a further step, the Government must see to it that British ships obtain fair treatment from other countries; the means must be considered of answering discrimination by discrimination. Such a policy could not, of course, be carried to fruition at short notice and some financial assistance is probably essential for a period. But to make £8½ millions per annum unconditionally available for a period of five years for shipping alone would be an open invitation to other depressed industries to seek support from the National Exchequer on no firmer foundation than a catalogue of their woes.

American Investment Trusts

NO bald comparison of the experience of British and American investment trusts will throw much light on the principles of investment policy. The two movements are dissimilar in so many respects that the task would be misleading rather than informative. The broad lines of British investment trust experience in recession are clear enough. Having failed to reflect, to any great extent, the dramatic rise in industrial profits during recovery, British trusts are now showing the effects of recession. For once, the power of the "time-lag" to offset declining earnings appears to have been small. There has been no evidence of significant "switching" operations designed to reap the profits of recovery and to prepare for recession. And investment portfolios, which were, generally speaking, fully covered by market values at the end of 1936, have since

shown a substantial degree of depreciation. What is the parallel experience of American investment trusts during the past two years? This question can be answered more promptly for the American trusts than the British, since the former usually issue quarterly statements of their income and capital positions. Our review, therefore, covers the period from December 31, 1936 (the position of the leading American trusts at this date was examined in *The Economist* of September 4, 1937), up to September 30th last year. Within this period, the Dow Jones index of 30 industrial stocks fell from a "high" of over 190 in March, 1937, to under 100 a year later. Investment policy, if it was successfully to cushion the impact of falling markets on the trusts' assets values, had accordingly to be formulated and executed at great speed and with

almost superhuman insight. The table at the foot of this page attempts to assess the methods and the degree of activity of different groups to achieve this object. The first column, showing the change in the market value of net assets over the 21 months' period, provides a rough measure of their relative success. The decline in asset values has been calculated after adjustment for changes in issued capital, and bank loans have not been deducted from the net assets. Hence the resulting figures are not affected by leverage factors associated with the capital structure or indebtedness of the trusts. Columns 2 and 3 showing the relation of cash and quick assets to total assets at end-1937 and last September illustrate more particularly differences in the trusts' investment policy during the first three quarters of 1938. Six of the nine trusts shown had built up substantial holdings of cash and "shorts" by the end of 1937—which can be taken chronologically as the middle point of recession. Of the three which showed relatively small liquid resources, American General Corporation redeemed some \$18 millions of funded debt in the early months of 1937—a rare example of nice timing—while the other two trusts, American European Securities and U.S. and Foreign Securities, are conducted on conservative investment lines, and have special portfolio characteristics.

By September 30th stock market recovery was well established. The Dow Jones industrial average had, in fact, jumped from its low point of 98.95 at the end of March, 1937, to 141.45. The third column of the table shows that of the six trusts which had accumulated substantial cash holdings, one had almost entirely re-invested and three had partially re-invested. An exception must be made for General Public Service Corporation, whose cash balance of \$4,227,470 must be associated with the existence of \$5 millions of callable funded debt, bearing interest at relatively high rates. The management of Prudential Investors alone appears to have been sceptical of the duration and soundness of the market recovery.

On a superficial examination of the first three columns of the table, it might be concluded that the best timing of the onset of the recession should be credited to American General and Prudential Investors, while the best timing of recovery should be awarded to General American Investors. It must be noted, however, that the latter trust benefited to a greater extent from the downward adjustment of taxation provisions in respect of unrealised appreciation. The heavy portfolio losses shown by U.S. and Foreign Securities and Tri-Continental cannot strictly be compared with the experience of the other seven trusts owing to the leverage factor. U.S. and Foreign Securities owns practically the whole equity of another geared trust (U.S. and International), and within a certain range of market prices movements in the asset values of the parent trust are greatly augmented by movements in the net worth of its subsidiary, whose underlying securities are very similar to those of the parent company's portfolio. Again, some 17 per cent. of the gross assets of Tri-Continental Corporation at December 31, 1936, consisted of marginal

holdings in two other trusts under the same management—Selected Industries and Blue Ridge—which accelerated the fall in the net assets of Tri-Continental.*

American investment trusts have never pursued the wide diversification of investments which is the peculiar feature of the British trusts. A brief indication of the general character of the holdings of each trust will thus throw additional light on their experience during the past two years. U.S. and Foreign includes in its portfolio a large proportion of consumption goods and oil stocks, whose high quality probably justified the comparatively small changes made in the holdings during the recession. Both American and European (in the management of which Swiss financial interests are represented) and General Public Service specialise in utility issues, with a high proportion of bonds and preferred stocks. Prudential Investors, Adams Express, American General Corporation and General American Investors have concentrated more on leading common stocks, covering industries which experience marked fluctuations over the trade cycle, and the first two of these trusts also have a large interest in the oil industry. Tri-Continental and Selected Industries have important interests in rails, utilities and oil stocks.

How far has the market already discounted investment trust recovery in America? In Wall Street, break-up values are of greater importance than earnings prospects as a measure of the value of investment trust stocks. The fifth and sixth columns of the table express these break-up values as an amount per dollar of the common stock prices at December 31, 1936, and September 30, 1938. The gearing ratio, which may be read in conjunction with these figures, expresses total net assets applicable to all classes of capital outstanding as a multiple of the net assets available for the common stocks of each trust. Over the period the excess of market value over break-up value of some of the more highly-g geared common stocks has re-asserted itself. Even last September buyers were prepared to pay substantially more than the net asset value for the common stocks of American European, Tri-Continental and U.S. and Foreign. Although the British investor tends to distrust any process of market valuations based on break-up values rather than on dividend yield, Wall Street has at least behaved rationally according to its lights in valuing highly-g geared investment trust equities at a discount (compared with break-up values) at the height of prosperity and at a premium in the very early stages of recovery.

The position of the preferred stocks is best computed by the earnings cover calculations shown in the table. Comparison of the percentage yield on gross assets (for the year to September last, and not for the calendar year, which may well be smaller) and the earnings required to cover expenses, interest and preferred dividends shows that in four cases out of seven available the latest year's total earnings have met full preferred dividend requirements. But

* Since September 30, 1938, Blue Ridge has ceased to be under the management of Tri-Continental.

AMERICAN INVESTMENT TRUSTS' PERFORMANCE

December 1936 to September 1938

Company	Change in Market Value of Net Assets (adj.) Dec. 31, 1936, to Sept. 30, 1938	Cash Short-dated or Govt. Secs. to Gross Assets		Gearing Ratio Common Stock Sept. 30, 1938	Net Assets per \$1 of Common Stock Price		Common Stock Prices		Yield on Gross Assets Year to Sept. 30, 1938	Yield on Gross Assets to cover Expenses, Interest & 1st Pref. Divs.	Capital Priority Percentages of 1st Pref. Stocks on Market Value of net Assets		1st Preferred Stocks	
		Dec. 31, 1937	Sept. 30, 1938		Dec. 31, 1936	Sept. 30, 1938	Sept. 30, 1938	Latest			Dec. 31, 1936	Sept. 30, 1938	Prices Latest	Yield Latest
	— %	%	%						%	%				%
Adams Express...	- 29.3	29.1	12.8	1.5	1.49	1.20	1114	10	3.6	(a)	(a)	(a)	(a)	(a)
Am. European Secs.	- 34.1	1.2	2.2	6.8	1.50	0.62	7	712	3.6	4.7	19-50	29.76	234(f)	8.42
Am. General Corp.	- 26.3	2.2	1.7	2.0	1.43	1.70	412	438	3.6	3.4	32-50	10.49	101½	5.91
Gen. Am. Invstns.	- 23.3	16.3	3.8	2.0	1.36	1.48	714	838	3.8	3.8	18-39	24.50	4514	(d)
Gen. Public Serv.	- 29.5	28.5	59.1	(c)	0.84	(c)	134	112	3.7	6.7	49-73	71-103	93¼	6.40
Prudential Invstns.	- 23.3	26.9	26.1	1.9	1.54	1.62	612	612	(e)	(e)	9-77	36-107	59¼	9.21
Selected Industries	- 33.9	24.1	15.0	(c)	(c)	(c)	1518	1518	4.1	5.5	21-47	31-74	88	6.82
Tri-Continental...	- 38.3	26.9	15.4	3.9	1.39	0.90	4	3½	3.5	4.1	0-37	0-61	84¼	7.12
U.S. & For. Secs.	- 39.3	6.5	8.2	5.6	1.59	0.70	834	10	5.0	4.4				

(a) No Pref. Stks. issued. (b) Not quoted in U.S.A. (c) No net asset value. (d) Pref. divs. in default. (e) Quarterly income statements not issued. (f) American Gen. Corporation \$2 Preferred.

a further fall in earnings will almost certainly be shown by the fourth-quarter statements which have yet to appear. Despite the appreciable fall in net asset values over the period, the capital protection for preferred stocks was in most cases satisfactory last September, though it had deteriorated substantially compared with December, 1936. The preferred stocks of General Public Service and Selected Industries, however, were the only issues in the list not fully covered by net break-up values last September, and on the former dividend default also exists.

The conclusions suggested by this survey are that while most of the trusts did not fare conspicuously better from December, 1936, to September, 1938, than the Dow Jones composite average of 65 stocks (which fell 29 per cent. over the period), the managements showed considerable investment activity. But, indeed, for the fact that they switched so readily into cash and short-dated stocks, the average depreciation on their portfolios would have

been greater than it was. Counters selected for rapid capital appreciation during recovery appear, in fact, to have been promptly weeded out, leaving the residue of the investment portfolios, in most cases, to follow the general experience of the market. Whatever the claims of the American investment trusts may be as a medium for rapid capital appreciation in prosperity, they have not made out a decisive claim for "beating the averages" over the period under review. And, in consequence, both common stocks and preferred stocks have felt the effects of gearing upon their assets and earnings cover. The premium over net asset value reflected in the September 30th quotations of the more highly-g geared common stocks suggests that the American investor expects the gearing factor to work in his favour during the coming year. But, on the earnings side, it will be 1940, rather than the current year, which will principally benefit from further recovery in the United States.

British Bank Accounts

THE balance sheets of the leading British banks for December 31st, 1938, reveal several points of interest when compared with those of the previous year. Broadly speaking, a noticeable drop in deposits is offset by minor reductions in cash, investments and advances, but by an appreciable contraction in discounts, noticeably in Treasury bills, call and short loans are in the aggregate smaller than a year ago, and so is that omnibus item "balances with other banks and cheques in course of collection." Acceptances and endorsements show varying trends, and Mr Fisher, in his speech on Thursday to Barclays Bank shareholders, revealed that this year certain new items were included under this heading. It is therefore impossible to surmise what has really happened here.

Any attempt to analyse this year's accounts must needs take as its starting-point first the continuance of the trade recession, and second the outflow of foreign funds with its attendant consequences. Notwithstanding the recession, advances to customers show little reduction from last year. This bears out the impression left by the annual analysis of bank advances compiled by the Bank of England, and reproduced in *The Economist*, December 10, 1938. The inference to be drawn from these figures was that the

1937-38 recession had not been serious enough to create a new mass of frozen loans. Nor did that table provide any evidence that the rearmament industries were requiring a greater amount of bank credit. The final balance sheet figures for December, 1938, are not such as to suggest any qualification of these views.

Of greater importance, from the purely banking standpoint, is the consequence of the year's outflow of foreign funds. This must be one of the chief explanations of the contraction in deposits shown in the latest balance sheets, for in this respect it makes no difference whether the foreigner withdraws a deposit from a British bank (or from the London office of a foreign bank, which keeps a balance with a British bank) or sells securities to some British resident who draws on his bank balance in payment. Whether it is the only explanation is a moot point, but it may be significant that the three Lancashire banks, which presumably do not hold much foreign money, on the whole gained deposits during the year. It seems, therefore, a reasonable assumption that much of the year's drop in total deposits was due to the outflow of foreign funds.

BANK LIABILITIES AND ASSETS (£ millions)

	Barclays	Lloyds	Midland	National Provincial	West-minster	Total, Big Five	Coutts	Glyn Mills	Martins	District	Williams Deacon's	Total for Ten Banks
LIABILITIES												
Capital and reserves	1937 26.6 1938 26.6	25.3 25.3	27.6 27.6	18.0 18.0	18.6 18.6	116.1 116.1	2.0 2.0	1.9† 1.9†	7.7 7.7	6.0 6.0	2.7 2.7	136.4 136.4
Deposits, etc.	1937 434.6 1938 433.1	410.1 397.7	496.3 462.7	320.5 310.4	368.9 346.2	2,030.4 1,950.1	23.4 21.2	37.4 35.8	95.5 100.0	81.1 83.5	38.6 38.3	2,306.4 2,228.9
Acceptances	1937 8.5 1938 14.9	3.6 2.9	12.1 8.7	9.5 8.0	20.9 24.2	88.2 104.8	0.7 0.6	3.2 3.2	3.3 2.8	0.8 0.6	0.4 0.5	112.8 127.8
Endorsements, etc.	1937 * 1938 *	24.9 37.6	8.7 8.5	* *	* *	* *	* *	* *	6.5 5.4	8.6 8.4	1.1 1.5	* *
ASSETS												
Cash	1937 54.8 1938 53.2	43.8 40.4	54.0 53.7	32.4 34.3	38.6 37.1	223.6 218.7	2.4 2.2	6.0 5.5	10.2 11.1	8.7 8.4	4.0 4.4	245.9 250.3
Cheques in course of collection and balances	1937 15.9 1938 14.9	17.4 17.2	18.7 17.8	12.5 10.7	13.9 12.8	78.4 73.4	0.8 0.9	2.9 2.2	4.2 4.1	3.0 3.2	2.5 2.7	91.8 86.5
Call and short loans	1937 27.1 1938 26.2	24.5 30.6	25.4 25.1	21.8 18.0	27.9 20.8	126.7 120.7	2.2 2.0	9.3 8.6	7.3 6.1	8.3 8.6	6.0 5.9	159.8 151.9
Treasury bills	1937 * 1938 *	39.2 34.3	52.5 27.0	27.4 24.2	* *	263.4 217.2	* *	* *	2.6 3.3	* *	1.5 1.1	277.0 231.8
Discounts	1937 50.4 1938 54.6	3.8 6.7	30.6 21.5	7.7 8.0	51.8 40.9	112.2 83.4	1.4 1.0	0.7 1.1	1.3 1.4	5.5 6.2	0.6 0.5	127.0 127.8
Investments	1937 102.4 1938 96.9	114.0 107.9	117.4 118.9	86.0 83.4	112.0 112.2	531.8 520.3	8.9 7.6	10.6 10.2	31.2 33.4	29.6 29.3	11.5 11.6	623.6 612.4
Advances	1937 196.3 1938 199.5	170.8 164.4	207.9 209.0	140.4 139.6	136.5 134.1	851.9 846.6	9.3 9.3	9.1 9.5	42.4 44.4	30.8 32.6	14.4 14.2	957.9 956.6

* Not shown separately; these items are added to acceptances and discounts, respectively, to arrive at the total figures.

† Includes "reduction of bank premises account."

Thanks to the well-known manner in which the Exchange Equalisation Account handled that outflow, there was no serious loss of cash by the banks. Any tendency to reduce their till-money in proportion to the contraction in deposits was probably balanced by the remains at the end of the year of the crisis expansion in the note circulation. Bankers' deposits at the Bank of England provide little guide. There was no Bank return for December 31st in either year, while contiguous returns are so variable as to suggest no more than that bankers' deposits were much the same at the end of both years. Thus the loss of deposits only led to a minor loss of cash.

It is not surprising to see that the main brunt of this contraction in deposits fell upon the banks' discounts, the exact comparison being a drop of £77 millions in deposits and one of £45 millions in discounts. The reason for this is by now well known, for as the Exchange Equalisation Account sold gold to cover the foreign withdrawals, it took over Treasury bills from the portfolio of the banking system. Actually the tender Treasury bill issue shrank during the year by £134 millions, so that in losing £45 millions of all kinds of bills the joint-stock banks escaped comparatively lightly. There must, however, also be added the year's drop of £8 millions in call and short loans, which include the market's borrowings against Treasury bills. Even so, the full brunt of the shrinkage in the tender issue did not fall upon the banks.

The year witnessed a moderate reduction in the banks' investments, but this does not confuse the main picture. It is that the foreign outflow of funds occasioned a loss of deposits balanced mainly by a reduction in discounts. Once this is realised, the year's trend cannot be called seriously deflationary in fact, whatever may be its potential effects. All the banks have lost is the excrement on their deposits representing fugitive money from abroad. There is no need to suspect any contraction in British-owned deposits, while the balance sheets prove that it was not necessary for the banks either to call in their advances or to realise their investments to any serious extent. The banks' cash is also maintained. In short, the country has as much money and credit at its disposal as it had a year ago.

Nevertheless, the recent trend does not entirely justify a complacent attitude. As the attached table shows, a slight rise in the cash ratio has been accompanied by a fall in the proportion of the "secondary" reserves.

While the banks have increased their cash ratio, their "liquid asset" ratio has fallen from 33.9 to 32.3 per cent. Had the banks bought securities to replace their lost Treasury bills, so as to maintain their deposits intact,

	Dec. 31, 1937	Dec. 31, 1938
All Banks	£ mill.	% of Deposits
Deposits	2,306	2,229
Cash	255	250
Cheques and balances	92	86
Call and short loans	160	152
Discounts	277	232
Total "liquid assets"	784	720
Investments	624	612
Advances	958	957
Total, Inv. and Adv.	1,582	1,569

their cash ratio would still have been at the satisfactory level of 10.8 per cent. Their liquid asset ratio, however, would have fallen to 31.2 per cent., which would have been rather near its minimum. Thus, it is arguable that a small part of the year's drop in deposits was not primarily due to the outflow of foreign funds, but to the reactions of that outflow upon the banks' supply of bills. To that extent, the outflow had a slightly deflationary influence.

This point has a direct bearing upon the immediate future. There may soon arise a dearth of Treasury bills; Mr Fisher, in effect, repeated in his speech to Barclays Bank shareholders the warning recently given in *The Economist*. To take an extreme, but not entirely impossible, example, let us assume that during the coming months the joint-stock banks lose a further £50 millions of Treasury bills, now held either in their portfolios or as collateral to call and short loans. This would reduce their more liquid assets from £720 to £670 millions. To maintain their present ratio of 32.3 per cent. their deposits would have to fall to £2,075 millions. Thus a contraction of £50 millions in liquid assets would, on these assumptions, entail one of £155 millions in deposits, and so investments and advances would have to be reduced by £105 millions. This would be a definite move in the direction of deflation, with obvious consequences on the gilt-edged market and possibly on the trade and industry of the country.

Thus the latest bank accounts, while satisfactory in themselves, contain warnings for the future; they lend emphasis to the suggestion made here a week ago, that the Bank of England might restore to the banking system part of its recent acquisition of Treasury bills and replace them by dated securities. The vital point is that the banks need an adequate supply of bills as well as cash, and starvation in the one direction is just as deflationary as it is in the other.

Finance and Banking

The Discount Houses.—Like many other financial institutions the Discount Houses have had a variable year. On the debit side of their accounts must be set the depreciation of Government securities, and Alexanders, who alone disclose how they handle this problem, announce the transfer of £300,000 from Investment Reserve Account. It is noticeable that all three houses have reduced their holdings of securities during the year, and that was an obvious precautionary measure at a time when markets were becoming adverse. September was also an anxious month, for while the Discount Houses were pressed to take up bills they had to reckon on the possibility that the outbreak of war would bring with it higher money rates. On the credit side was the firmer tendency of discount rates during the closing months of the year. This probably explains why two of the three houses show larger profits. The balance sheets for the two years may not be strictly comparable, for at the end of 1937 the discount market was able to reduce its holdings of Treasury bills so as to avoid borrowing at the Bank. This was not possible on

(£ million)						
December 31st	Alexanders		National		Union	
	1937	1938	1937	1938	1937	1938
Liabilities						
Capital	1.0	1.0	1.0	1.0	2.7	2.7
Reserve fund	1.0	1.0	1.0	1.1	1.0	1.0
Loans, deposits, etc.	26.7	31.3	37.4	41.2	56.2	51.5
Reductions	1.4	1.3	16.8	9.0	10.2	9.1
Rebate	0.2	0.2	0.4	...	0.4	0.4
Assets						
Cash	0.7	0.7	1.0	1.2	1.6	1.5
Investments	14.0	9.8	12.4	5.2	9.5	6.3
Loans	0.4	0.4	0.3	0.2	2.2	3.3
Discounts	15.4	24.1	43.1	50.0	57.0	53.6
Net profits (£'000)	154	154	189	195	251	261

December 31, 1938, which fell on a Saturday, and so it would be natural to find the market holding considerably more bills than at the end of the previous year. The balance sheets of the three Discount Houses only reveal a limited tendency in this direction, and so it is tempting to

infer that actually they were holding fewer bills, especially since there may have been some transfer of Conversion Loan to the "bills and short-dated securities" item. On the other hand, Sir Sigismund Mendl, at the National meeting, stated that the company had been able "to revert to the normal function of a discount company—namely, the discounting of bills," and Mr Colin Campbell of Alexanders referred to indications of an increase in the volume of commercial bills on offer. Apart from the encroachments upon Investment Reserves, the Discount Houses have had a satisfactory year.

* * *

Exchange Speculation.—Rather over a fortnight ago it became known in the City that the Treasury wished to emphasise its desire, first expressed in 1935, and never

since withdrawn, that bankers should as far as possible curb speculation against the pound, though at the same time taking care not to hamper legitimate trade. This intimation at once raised the delicate question of where to draw the line, and since then consultations have been in progress in the City. It is understood that these have crystallised in the issue this week of a circular from the Foreign Exchange Committee to all the London banks, defining in some detail the classes of business which either would or would not be regarded as legitimate. Broadly speaking, any trader will remain perfectly free to follow his normal business, even if that involves forward exchange transactions, provided that they are a normal and proper hedge against future exchange fluctuations. The same applies to stockbrokers with connections in foreign centres. There is no impediment against the transfer of funds

MONEY MARKET NOTES

The Bank Return

THIS week there has been a further contraction of £7.8 millions in the note circulation, which in consequence is now £8 millions below its pre-Christmas level. This is an unusually big drop, and it looks as if all the time the Christmas rise and fall was in progress there was a steady dishoarding of notes held by foreigners.

Issue Dept.	Jan. 19, 1938	Jan. 4, 1939	Jan. 11, 1939	Jan. 18, 1939
Gold	326.4	326.4	126.4	126.4
Notes in circulation	475.7	488.1	475.6	468.0
Banking Dept.				
Reserve	51.3	69.0	51.4	59.1
Public Depts.	11.0	20.5	19.2	12.3
Bankers' Depts.	124.4	136.0	118.1	119.9
Other Depts.	36.9	37.2	36.7	36.7
Govt. Secs.	104.4	71.4	96.2	85.8
Discounts & Advances	13.0	48.9	22.1	18.5
Other Secs.	21.8	22.4	22.3	23.6
Proportion	29.7%	35.6%	29.5%	34.9%

In the banking department the Reserve has risen by £7.8 millions as a result of the contraction in the note circulation. Government securities are £10.4 millions lower, possibly because of maturities among Treasury bills held by the Bank. The fall in discounts and advances represents repayments unconnected with the money market. Public deposits are £6.9 millions lower. At this time of year, when large amounts are flowing into and out of the Exchequer, wide variations must be expected. All these movements have almost cancelled each other out, and bankers' deposits have only risen by £1.8 millions.

Foreign Exchanges

THE tightening-up of the regulations against speculation, referred to in a Financial Note, have unsettled the foreign exchange market, and there is now a general disposition to close down dollar positions. For one thing, maturing forward exchange contracts can only be renewed if they relate to legitimate business, and also the transfer of £350 millions of gold to the Exchange Equalisation Account has made operators think that the authorities can raise the value of sterling if they desire to do so. With the New York rate still under \$4.70 there is an obvious temptation to clear out and take a profit while the going is good. As matters stand, the New York spot rate rose this week from \$4.67½ to \$4.68½ on Thursday morning, with the Control on Wednesday a heavy buyer of dollars. Later on

Thursday the rate reacted to \$4.68½, and the Control at once turned seller. It has, therefore, been in both ways this week and has the market thoroughly cowed; but on balance it has gained dollars. The big demand for forward dollars has equally subsided, and three months' dollars are no better than 1½ cents premium. The spot Paris rate has remained steady at Frs. 177½, but forward francs have at times been offered. The three months' rate is now Frs. 4 discount, which is practically upon an interest basis. Although belgas followed the dollar on the whole, they were inclined to harden, and the discount on forward belgas has largely disappeared. Guilders were inclined to be offered, and on Tuesday morning the rate was up to Fl. 8.63, but it came back to \$8.61½ later in the day. Swiss francs followed the dollar.

The Money Market

IN spite of the inflow of revenue, money has been very easy this week. More notes have returned from circulation to swell the clearing banks' cash reserves, while Treasury bill maturities this week were, so far as the tender issue is concerned, £23 millions in excess of payments. This last is probably the main cause of the prevailing ease. The only change in the opposite direction is that bond money is no longer obtainable at ½ per cent.

	Jan. 20, 1938	Jan. 12, 1939	Jan. 19, 1939
Bank Rate	2	2	2
London Deposit Rate	12	12	12
Short Loan Rates:			
Clearing Banks	12-1*	12-1*	12-1*
Others	12-5*	12-5*	12-5*
Discount Rates:			
Treasury bills	12	12	12
Three months' bank bills	17½	9½	17½-9½

* Viz. ½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. 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.

Last week three millions were cut off the top of the Treasury bill tender, leaving only £22 millions to be paid for this week. Although the market put its tender price up by one penny, it only obtained a 24 per cent. allotment. The tap issue is now up to £525 millions, while the tender issue has dropped to £449 millions for January 14th, and will be only £426 millions by the end of this week. The banks have been ready buyers of March and early April Treasury bills at ½ per cent., but the

market was not keen to sell owing to the difficulty of finding other employment for its funds.

The Bullion Market

THE new restrictions upon gold dealings, in which other centres are co-operating, have led this week to a steady sale by those with maturing forward contracts. This gold has been absorbed by fresh Continental buying, which has come from interests strong enough to finance their own purchases. These two movements have largely balanced each other, and the British Control has not had to give much gold. There was, in fact, a suggestion that on Wednesday the Control was buying gold. Certainly its agent was in the market, but as that agent also acts for other clients, it does not follow that the Control was buying.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. count *	Amt. dealt in †	Cash	Two Mths.
1939	s. d.	d.	£'000	d.	d.
Jan. 13	148 11	1 pm	612	20½	19½
" 14	148 9½	1½ pm	264	20½	20½
" 16	148 8½	1½ pm	404	20½	19½
" 17	148 8½	1½ pm	473	20½	19½
" 18	148 7½	1 pm	464	20½	19½
" 19	148 5½	1½ pm	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 was upset by the introduction into Congress of the Townsend bill, with its clauses empowering the Treasury to cease buying foreign silver and to prohibit imports of silver. London prices have consequently eased, but the total decline is not very marked as India is not impressed by the potentialities of this Bill, and so has continued to buy. Nevertheless, the opinion is that the current London price is artificial, and is only maintained by American official buying. Even in a prosperous year India would need a lower price before she bought on a normal scale. For these reasons the market is beginning to look ahead to the summer, when Congress is due to review the whole American silver policy. There is no expectation of any reduction in the Indian import duty.

abroad, either for investment or for deposit in foreign banks. Nor is a customer deterred from borrowing from his bankers against normal collateral, and it is not a banker's business to ascertain how the customer proposes to use his loan. On the other hand, a banker will not henceforward lend sterling against gold or foreign currencies. In some instances bankers will not have sufficient information at their disposal, and for this reason the co-operation of the Stock Exchange was formally sought this week. The news has also emerged that the authorities in certain foreign centres have agreed to help, notably in New York, Paris, Amsterdam and Switzerland. Clearly the Treasury is making every effort to stop up all possible loopholes, and already there has been some falling-off in business in the foreign exchange market, while dealers take stock of the new conditions. Complete success, however, cannot be attained, and it is to be hoped that in any border-line case the importance of not hampering legitimate business will be the deciding factor.

* * *

Another Record Gold Output.—The output of gold during 1938, estimated by the Union Corporation at 36,700,000 fine ounces, beats the previous record set up in the previous year by the comfortable margin of 5.6 per cent. Slightly more than one-fifth of the increase of about 2,000,000 ounces in production came from the Union of South Africa. It will be seen from the following table that after an inordinate leap in the rate of increase of gold production between 1931 and 1936, the figure is now settling down between 5 and 6 per cent. per annum. This may be well above the average rate of increase in the 1920's, namely, 1½ per cent., but it is reassuringly below the leap of 11.7 per cent. recorded in respect of the 1936 production—a figure which played some part in creating the gold scare of the spring of 1937. The rate of production in relation to existing national stocks of gold has kept fairly stable between 4½ and 5 per cent. over the past four years:—

	Production Thou. ozs.	Rate of increase %	National Gold Stocks Thou. ozs.	Ratio of Output to Stocks %
1931	22,405	...	547,832	4.1
1932	24,301	8.5	574,782	4.2
1933	25,335	4.2	579,174	4.4
1934	27,295	7.3	624,543	4.4
1935	29,569	8.3	638,665	4.6
1936	33,022	11.7	667,549	4.9
1937	34,783	5.3	744,732	4.6
1938	36,700	5.6	780,000 (est.)	4.7

The output of Soviet Russia is still an uncertain factor in arriving at an estimate of the world production of gold,

and the Union Corporation have provisionally estimated the 1937 and 1938 figures of Russian production at 5,000,000 ounces. The figures of national gold stocks in the above table include the reserves of Exchange Funds where such figures are officially published. According to the above figures the output of gold over the past eight years has totalled about 233,000,000 ounces, while the national stocks have risen by about 222,000,000 ounces. In order to arrive at an estimate of the metal which has gone into private hoards and into undisclosed national reserves, allowance must be made for dishoarding from India, a movement which over the past eight years has made available to the bullion market gold currently valued at £247,474,000. Adding this figure to the margin of about £80,000,000 (at current price) between the output of new gold and the absorption of the metal into monetary stocks over this period, we get an approximate estimate of the amount of gold at present privately hoarded in the West, and held by undisclosed Exchange Funds.

* * *

The U.S. Silver Question.—The movement in the United States for a substantial amendment of the Silver Purchase Act is gathering momentum. Its latest expression this week has been the tabling of a Bill by Senator John Townsend to empower the Secretary of the Treasury to sell the Treasury's stock of silver, now amounting to 1,700 million ounces, "at such prices as he may deem fit," and in addition to cancel the power of the Government to acquire further imported silver or to issue silver certificates. Conservative elements in Congress are being spurred to support this measure. They are apparently receiving some paradoxical support from the silver group which is becoming antagonistic to the external aspect of the silver purchase programme in which they see the seeds of the ultimate collapse of their own industry. In London these developments are not yet regarded as the immediate precursors of a collapse of the United States Silver legislation. They are interpreted rather as an isolated instance of the general Conservative reaction against the President's powers of government by decree in matters financial than as a reasoned assault on the Silver Purchase Act. For this reason they have not been taken unduly seriously, and though the price of silver has come back this week by ½d. to 20½d. it is still slightly above the American parity. One reason for this is the fact that the open position—small though it is—is almost wholly on the bear tack. Were it not for this technical factor of strength the reactions to this week's silver developments in the United States would have been more startling.



DISTRICT BANK

LIMITED

Established 1829

HEAD OFFICE:
Spring Gardens, MANCHESTER 2
PRINCIPAL LONDON OFFICE:
75 Cornhill, E.C.3
PRINCIPAL LIVERPOOL OFFICE:
3 Water Street
FOREIGN DEPARTMENT:
13 Spring Gardens, Manchester 2
76 Cornhill, London, E.C.3
2 Castle Street, Liverpool 2
TRUSTEE DEPARTMENT:
57 King Street, Manchester, 2.
46 Old Bond Street, London, W.1
51 Dale Street, Liverpool, 2
1 Upper Market Square, Hanley
68 Church Street, Lancaster

Subscribed Capital	£10,560,428	Paid-up Capital	£2,976,428
Reserve Fund	£2,976,428	Deposits	£83,468,809
Total Assets	£98,925,408		
31st December. 1938			

EVERY BANKING FACILITY

OVER 570 BRANCHES

AGENTS EVERYWHERE

Investment

Stock Exchange Probity.—The standard of probity of Members of the Stock Exchange in their dealings with one another and with the outside public is a by-word. In relation to the enormous volume of business transacted, largely on a word-of-mouth basis, the number of complaints or differences which ever reach the point of official consideration is minute and of these only a tiny fraction involves anything more than technical infringements of the stringent Rules and Regulations—and equally important, practices—which the "House" has evolved through long decades of experience. The news this week that the two comparatively junior members constituting the partners in a small firm had been expelled by the Committee on the ground of irregularities involving defrauding the public came as a grievous shock to the body of members. The degree of Press publicity accorded to this intrinsically serious but materially insignificant incident in itself illumines the sober and conscientious background from which it stands out. It is all the more regrettable that the opportunity should have been seized for the publication of entirely unfounded suggestions which in effect alleged the prevalence of criminal malpractices among "House" firms, and that these were under official investigation. Such imputations, of course, contain no vestige of truth.

Members and Exchange Speculation.—The re-introduction of the embargo of 1935 on undesirable exchange transactions (discussed on page 132) has had its repercussions on the Stock Exchange. Members have received a circular comprising the recent letter from the Chancellor to the Governor of the Bank of England on the subject and one from the Governor to the Chairman of the Stock Exchange. The gist of this correspondence is to the effect that the co-operation of the City as a whole is necessary to secure effective discouragement of speculative activities involving undesirable foreign exchange transactions. It may be doubted whether the facilities of the Stock Exchange are at present used to any great extent to effect such transactions, but a number of firms do, on occasion, handle business in exchange and gold when specially requested and it is obvious that such outlets call for control no less than normal exchange and money-market transactions. The "House" however, is not altogether clear to what extent, if at all, members are expected to decline, or reduce, ordinary security transactions which may involve, for example, the purchase of dollars. This highly important point, which affects the whole of the extensive and elaborate arbitrage machinery, will presumably receive greater clarification. And there are certain types of transactions such, for instance, as raising a loan against purchases of foreign securities, against which members of the Stock Exchange will now be on their guard.

Chinese Customs Loans Threat.—The news, recorded in *The Economist* of January 7th, that the Chinese Government had made good from its own strained resources the shortfall of Customs revenue required for

the service of the Customs loans created much uneasiness. But it heralded a more profound shock this week—the reported decision of the Chinese Government to withhold any further advances for the service of the Customs loans and to retain the sums raised in ports still under Chinese control in special accounts. Yet every suggestion that China might be compelled to default (like Mr Franklin Ho's suggestion last year) meets a rejoinder. This week, the spokesman of the Ministry of Finance at Chungking has declared that China wishes to pay all her obligations secured on the Customs and is ready to consider any fair arrangement to that end. A "fair arrangement" would presumably entail the payment of the share of the Customs derived from Japanese occupied areas. But the Japanese authorities, in turn, have refused to make such payments until the Chinese Government accepts the Anglo-Japanese Customs Agreement of May last year. It appears, in particular, that the Chinese Government is unwilling to meet the payments due to Japan under the Boxer indemnity, which amount to £30,000 monthly. Some Chinese circles argue that if the Boxer indemnity were paid, China would be profitably reimbursed by payments from the Japanese authorities for the latter's share of the loan service under the agreement of last May. The fundamental Chinese objection to this procedure is, of course, that it involves the tacit abandonment of Chinese sovereignty in the Japanese occupied areas. The uninterrupted service of the Customs loans, which successive Chinese Governments have honoured, will temper the bondholder's regret that she has been forced into a position of threatened default. Perhaps this week's message from Chungking leaves the door slightly ajar for further negotiations. It can hardly be supposed that China, reflecting on the amount of capital which may be required after hostilities have ceased, would willingly contemplate so severe a blow to her credit as the cessation of service on the Customs issue.

London Area Fares.—The general character of the fare increases which are being sought by the main line railways and London Transport in the London area was examined in *The Economist* last week on page 84. Some provisional estimates of the effect of given increases on the position of the main lines and London Transport stocks may now be attempted. Assuming that a primary objective of the proposed increase is to raise London Transport "C" stock earnings to the standard rate of 5½ per cent., the Board must increase its net receipts by £618,000 compared with the 1937-38 total. But the Board's gross receipts are derived from its share in the London Passenger Transport Pool, nominally fixed at 62.10364 per cent., though the actual proportion last year (presumably after making allowance for such factors as unfructified capital) amounted to 73 per cent. of the total takings. Hence, on its nominal share of the Pool receipts, the required amount for London Transport "C" stock (assuming that expenses remained equal) would be covered by an increase of £997,000 in the total receipts of the Pool, while on the basis of last year's actual share received by London Transport, the Pool takings would need to increase by £847,000. These figures represent approximately 2½ and 2 per cent. of last year's Pool receipts.

It is generally conceded that the adjustment of London Transport's charges (which will not involve any raising of existing maximum scales) may not provide the same rate of increase in receipts as the railways' application for a basic 5 per cent. increase in suburban railway fares, on which the average fare, being higher, can also be adjusted more readily. The heavy workmen's traffic which is carried at reduced fares on the Board's road services may also

tend to limit the rate of increase which the Board can make in its contribution to the Pool. It is desirable, of course, that the main lines and the Board should, as far as possible, maintain a roughly proportionate relationship between their contributions to and their benefits from the Pool. If we assume, as a basis of estimation, that the latter achieves an over-all increase of 2½ per cent. from the adjustment of fares, the Board's "C" stock requirements would be met with a margin. For a recent year, Sir William Wood has estimated that Southern Railway derived 46 per cent. of its gross passenger receipts from the London area, L. and N.E. some 18 per cent., L.M.S. 9 per cent., and Great Western 6 per cent. On the basis of 52 weeks' passenger receipts for 1938, the application of these percentages to an effective increase of 2½ per cent. in London area receipts would provide rather under ¾ of one per cent. for Southern preferred and approximately ½ of one per cent. for L. and N.E. first preference stock. The equity of the other two lines in London area passenger traffic is quite small. In the absence of any knowledge of the precise distribution of pool receipts, and of the time which will necessarily be involved in adjusting fares (assuming that the main lines' application is granted by the Railway Rates Tribunal) these figures can only be regarded as rough orders of magnitude, which cannot exert much influence on the earnings of the current calendar year.

Unit Trust Yields.—Two statements have been issued this week on the vexed question of unit trust yield calculations. The Municipal and General group, after consulting with its accountants, has evolved a comprehensive form of certificate, to be signed by the auditors of the trusts managed by the group. The certificate sets out the amount of income per unit or sub-unit based on the most recent gross dividends and income cash bonuses declared or recommended on the investments held by the trust concerned for one complete year only, and declares that full provision has been made for the remuneration of the trustee

and managers of the trust. Such certified amounts of income per unit will be employed in all references to yields. The form of words employed would, of course, cover a final dividend declared on any underlying security during the first half of the trust's year and an interim dividend declared during the second half of that year. For example, for a trust holding Courtaulds the certificate for the calendar year 1938 would be based on the 7 per cent. final dividend paid on March 21st and the 1½ per cent. interim dividend declared on August 16th last. In this instance, the computed yield would tend to over-state the current earnings position. This, however, is a defect which applies to all yield calculations in some degree, and the certificate emphasises that future income must depend on the rates of dividend to be paid in respect of the particular securities held, which may be changed in the flexible trusts of the group. No capital items, arising, for instance, from the sale of rights, are included in the income calculation. Indeed, the amount of income received from investments in companies whose assets are regarded as wasting is set out in detail in the auditors' report, so that the managers may make an allowance for amortisation.

In the second announcement, the Keystone group of unit trusts define their responsibilities to the investor as exceeding the mere certification of yields. They point out that only cash dividend and cash bonuses should be included, but prefer to make the yield calculation upon the last two distributions, or the last complete year's distributions, of the trust, rather than dividends computed according to the Municipal and General formula. The statement, however, sets out the principles of true yields clearly and fairly. And it concludes with two points regarding yield calculations on Stock Exchange purchases. Quoted yields on Stock Exchange securities make no allowance for the amounts paid for commission, stamps and fees (which are usually treated as expenses), though these charges are necessarily included in the calculation of unit

PROSPERITY, YES - But how soon

IN ADDITION—

to the annual Forecaster and Special Report for 8/-, you will receive, with our compliments ... as long as the limited supply lasts, three valuable Brookmire Bulletins covering the following subjects:

- 1. Capturing Profits**
—and how to keep them.
- 2. 1939 Stock Prospects**
with pointed analysis of the Market Outlook and recommendation on Stock Market Policy for Investors to follow.
- 3. \$50,000 Program**
of Common Stocks designed to profit from Prosperity.
- 4. \$50,000 Program**
of Investment Bonds for Safety and Conservation.
- 5. The Brookmire List**
of Approved Common Stocks suitable for sound investment.

• These Editions are Limited...
Send for your copies promptly

Profits will come to those who understand the forces at work in America in 1939... and who act decisively. "How the Major Industries will Progress in 1939" is the title of the Special Report on American affairs that will accompany the annual Brookmire Forecaster.

Send for the BROOKMIRE FORECASTER

This annual FORECASTER points out what you may expect in Business, Commodity Prices, Money Rates, Bonds and Stocks. It tells a graphic story of what to look for, what to avoid... a guide to successful business and investment planning. While the Forecaster outlines WHAT to anticipate, the accompanying Special Report is a penetrating analysis of present economic conditions and in concrete terms points the way in the changing and complex period that lies ahead. This report gives definite conclusions backed by 34 years of Brookmire experience in guiding Business Men and Investors... it tells the vital effects that Economic Factors and Political Trends are likely to exert on the Building, Automotive, Steel, Armament, Aviation, and the other Important Industries... also it shows the real causes behind the Trends of the securities of all these Industries. Make certain of receiving your copies of these valuable guides promptly.

● Send your name and address together with eight shillings (\$2 or equivalent amount) by return mail to—
BROOKMIRE
Economic Service—Investment Counselors
Administrative Economists—Founded 1904
551 Fifth Avenue, New York

BRITISH - AMERICAN UNITS

A Unit Trust of 26 leading American and 26 British Ordinary Stocks

Particulars from Stockbrokers and Banks or
The Managers,

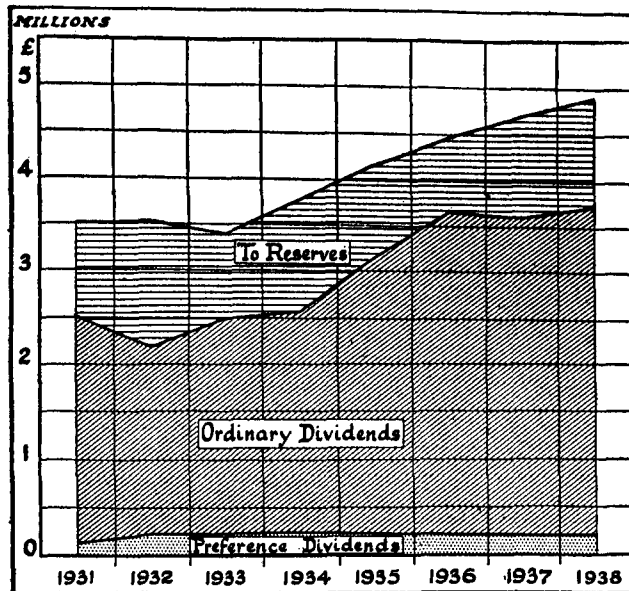
36-37 KING STREET, E.C.2

GREENWOOD

trust yields, since they are, in effect, capitalised. Again, the price of a unit in a unit trust tends to rise during any given distribution period owing to the accumulation of dividend payments on the underlying securities. Towards the end of the period, therefore, the true yield on those securities tends to become somewhat understated. We welcome these endeavours to lay down the principles of accurate yield calculations. The reproach that, in the past, a certain minority of unit trusts has not been free from the suspicion of publishing inflated yields should not be allowed to survive.

Woolworth Balance Sheet.—The 5s. stock units of F. W. Woolworth have maintained the rise which greeted the excellent 65 per cent. dividend (discussed on page 85 of last week's issue). The profits of the company were analysed in detail on that occasion and are accordingly shown in diagrammatic form since 1931 in the following chart:—

F. W. WOOLWORTH'S PROFITS, 1931-1938



The balance sheet as at December 31st shows that the company has extended its trading organisation, but has also, it would appear, made further improvements in its trading efficiency. For instance, freehold and leasehold property have together risen from £9,524,000 to £9,891,000, but stocks have actually been reduced from £3,320,760 to £3,254,356. Cash holdings, which were already impressive enough at the end of 1937, have jumped by £1,278,000 to the high level of £8,492,395, at which they account for no less than one-third of the balance-sheet total. The stock units yield 5s. 12s. 9d. per cent. at the present price of 60s. 1½d.

Leyland Motor Results.—Shortly before the preliminary profits announcement of Leyland Motor, the ordinary shares were an improving market, but they fell back when it was known that the dividend had been no more than maintained. In the meantime, the railways' "Square Deal" campaign has infused a new element of uncertainty into the long-term prospects of all commercial motor manufacturers. The full report of the company for 1937-38 shows a rise of 2 per cent. in total profits, which although satisfactory for a year of difficulty, does not add greatly to the exceptionally strong upward trend of the previous years. An increase of only £11,664, from £631,597 to £643,261, had been indicated by the preliminary profits statement. Important contracts are

believed to have been received during the year, and it is possible that their full effect has yet to be reflected in the company's profits. We show below the allocation of earnings in the past three years:—

	YEARS ENDED SEPTEMBER 30		
	1936	1937	1938
Total profit	557,390	750,686	770,145
Depreciation	70,976	78,054	82,701
Taxation	119,677	224,075	277,141
Other expenses	25,699	43,382	44,183
Prefce. dividends.....	52,041	51,188	49,481
Ordinary shares—			
Earned	288,997	353,987	316,639
Paid	137,250	168,750	163,125
Earned %	42.1	52.4	48.5
Paid %	20	25	25
General reserve	150,000	150,000	100,000
Carry-forward.....	49,234	84,470	137,984

The effect of taxation is to reduce the amount earned for ordinary dividend by £37,000. But in spite of this, little more than half the available earnings are distributed. General reserve is brought up to £1,000,000 with the reduced allocation of £100,000, and free reserves (including the carry-forward) now amount in all to £1,159,000, against an ordinary capital of £900,000. The increase in net fixed assets from £1,107,903 to £1,304,293 reflects the technical vigour of the company and may possibly include outlay in respect of Government work. Following their recent fall, the £1 ordinary shares yield 6s. 7s. per cent. at the present price of 78s. 9d., though this is the more attractive in view of the company's conservative distribution policy.

William Hollins' Dispute.—The position of William Hollins has become entangled with the bindweed of personal controversy. Hence it is difficult for the shareholder to reach an objective conclusion from this week's barrage of circulars from the two opposing camps. On July 25th last year a shareholders' committee was appointed to investigate and report on the affairs of the company. Its report, signed by the five members of the committee under the chairmanship of Mr F. J. Dickens, and dated January 3, 1939, recommends that the board should be reconstituted under the temporary chairmanship (for a period not exceeding six months) of Mr Dickens and that full-time executives should not be members of the board of directors. These proposals are embodied in extraordinary resolutions to be submitted to the shareholders on Wednesday next, January 25th. They are opposed by the present chairman, Mr P. C. Cooper-Parry, who took office at the beginning of last June. Mr Cooper-Parry proposes the appointment of a new board, under the chairmanship of Mr Sydney Shephard, the chairman and managing director of Bairns-Wear, Limited, and would himself become deputy-chairman and financial director. Mr Cooper-Parry takes strong exception to the committee's proposals for reconstituting the board, partly on the ground that three of the proposed appointments out of five would only be temporary. Hence he urges that shareholders would be "in complete ignorance" regarding the control of the company in six months' time. He does not, however, propose to move an amendment to the resolutions at this stage, since they involve a clear issue. Further difficulty has been created by the suggestion that the new chairman nominated by Mr Cooper-Parry is chairman and managing director of a company which competes with William Hollins. The suggestion, at least, is explicitly made in a further circular from Mr Dickens, though it has been stated elsewhere that William Hollins is, in fact, a customer of Bairns-Wear. It is regrettable that divergent views have so seriously clouded the issues involved. But shareholders have already given their support to the committee of investigation and presumably are prepared to consider its recommendations the more thoughtfully for that reason. It is at least indisputable that the company to-day sorely needs first-class directorial ability, for its earnings record during the past ten years has been quite unsatisfactory.

The Week's Company Profits.—Company results are now appearing in greater number, and even excluding bank reports our usual analysis of profit and loss accounts on page 159 covers 34 companies. Owing to the inclusion of the F. W. Woolworth results, the total net profits of these companies amount to £6,800,000 and show a fall of just over 1 per cent. compared with £6,877,000 earned by the same companies a year ago. Aggregate net profits of 75 companies (other than banks) reporting in 1939 amount to £11,989,000 against £12,994,000, a decrease of 8½ per cent. We discuss the week's results in preceding Notes and on page 140 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found in this week's issue from page 144. The proceedings at the *National Discount* and the *Alexanders Discount Company* are referred to in a Note on page 131. At the *Barclays Bank* meeting Mr

Edwin Fisher disclosed that at the end of October last the number of customers having advances was 216,210, and the average advance £893. He remarked that the distribution of the total amount between different trades, industries and private persons varied little from the proportions shown in the previous year. Captain Oliver Lyttelton disclosed that the *British Tin Investment Corporation* was now fully invested. Opportunities had been seized during the latter part of 1938 to strengthen the portfolio at reasonable prices. The chairman of *Rio de Janeiro Flour Mills and Granaries* pointed out that flour was now one of the cheapest local foodstuffs in Brazil and that consumption should be maintained. Sir Michael Nairn informed shareholders of *Michael Nairn and Greenwich* that the new plant at Kirkcaldy would give more economical production. Mr W. F. Foster, at the *National Building Society* meeting, regretted that details of the Government's war risk insurance scheme were not yet available. Members of *Liebig's Extract of Meat* were informed that the volume of trade in the company's proprietary lines had shown some expansion.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
JANUARY 24 JANUARY 26

MARKETS opened with an easier tone this week, and although prices were somewhat steadier in mid-week, the volume of business remains entirely subnormal, and markets are very sensitive to selling, particularly from overseas. *Gilt-edged stocks* closed unchanged on Monday, for opening firmness was succeeded by reaction. Tuesday's initial losses, however, were not fully recovered, and until the close on Wednesday the market tended to show further falls. The improvement in sterling on that afternoon assisted prices, but on Thursday selling, reported to emanate from Switzerland, led to an easier close. In the Colonial market prices were adjusted to the terms of the new Jamaica issue, and fractional losses were general.

The *foreign bond market* suffered a severe blow from the report that the Chinese Government would make no further advances for the service of the Customs loans. The 4½ per cent. loan of 1898 fell 7 points on Monday and the Boxer loan 4 points. Some recovery occurred on succeeding days, though it was limited to one point. Further selling of German issues was attributable to general uneasiness regarding the political and economic situation, though a recovery occurred in mid-week. Some selling of Argentine issues was reported at first though the market became steadier.

Depression continued in the *home rail market* under the lead of the prior charges, and at one time on Tuesday the new Southern 4 per cent. debenture fell to ½ premium. The stock recovered on Wednesday to ¾ premium, but other debentures remained weak. Preference and ordinary stocks also rallied, since the traffics were less depressing than had been expected. The volume of selling in the Argentine rail market was small, but it had a disproportionate effect upon prices. With the exception of Pacific Consolidated and Argentine G.W. debentures the prior charges continued to fall in mid-week. *Industrial shares* continued dull, prices at first tending to sag under the

influence of small sales owing to uneasiness over the international situation. In mid-week, however, this selling was less in evidence. The lower prices attracted bargain-hunters, and the undertone improved in consequence, although turnover remained low. Iron and steel shares followed the general trend, and were indifferent to news of the order for A.R.P. shelters. Indian Iron, and Steel Corporation of Bengal were firm on support from the East. Movements in coal shares were irregular. Though they responded to the general firmness in mid-week, engineering issues tended to ease. Head Wrightson rose on the interim dividend announcement. Electrical equipment issues were uncertain. Contrary to the general tendency, Crompton Parkinson lost ground slightly after early firmness. The tone in motor shares was heavy, and movements were irregular. Dennis hardened on news of a big Government order. Aircraft shares tended to fall from lack of interest. In textile shares, the trend was mostly downwards, and among rayon issues Courtaulds reacted further on dividend fears. Brewery shares remained dull, and changes in the tobacco section were few and small. Provision and catering issues were weaker on the whole. Cow and Gate fell sharply on the dividend announcement. Lower prices ruled in the stores group. Lack of business made for irregularity in the miscellaneous section. Lever and Unilever recovered whenever Amsterdam selling relaxed. The shipping group was undecided, but steadied in mid-week.

Though price changes were unimportant, *oil shares* continued dull, and the smallest sales caused a disproportionate drop in prices. Quotations for rubber shares, where changed, were nearly all lower. The tea share market remained inactive.

Until Thursday, when there was a marked recovery in Kaffirs in early dealings, the mining market was depressed, although business was small. Among Kaffirs, developing mines were the weakest section, Cape selling being an important factor on Tuesday. Paris support for the dividend-payers steadied the market at times. Rhodesian copper shares became firmer in mid-week after a dull start. Other base metals were neglected and moved to lower levels.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Jan. 13	5,335	6,020	78.7	122.6
Jan. 16	5,995	7,475	78.5	122.6
Jan. 17	5,590	6,705	77.7	122.5
Jan. 18	5,505	7,075	77.7	122.3
Jan. 19	5,065	6,735	77.8	122.1
High ..	...	...	80.7	123.5
Low ...	...	...	77.7	122.3
			Jan. 19	Jan. 19

* Approx. total recorded in S.H. List. † July 1, 1935 = 100. ‡ 1924 = 100.

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 160 industrial ordinary share prices stood at 60.3 on

'FIFTEEN MOORGATE' UNIT TRUSTS

An investment now, yields*—

4½% in . . . SAVINGS UNIT TRUST	7½% in INVESTORS 2nd GENERAL TRUST
6½% in HUNDRED SECURITIES TRUST	5½% in PROVIDENT INVESTORS TRUST
7½% in INVESTORS GOLD SHARE TRUST	6½% in INVESTORS FLEXIBLE TRUST

OR 6½% . . . if the investment be divided equally between these six Trusts thereby spreading the capital over approximately 190 different stocks and shares

INVESTORS INCOME } 5% in Income Sub-Units
AND RESERVE TRUST: } 3% in Reserve Sub-Units

* The yields quoted are gross, approximate, and based on last year's dividends and current prices (which include all management fees)

Apply for free handbook D 56 to the Managers,

FIFTEEN MOORGATE UNIT TRUSTS LIMITED, 15 MOORGATE, LONDON, E.C.2
CONSULT YOUR STOCKBROKER OR BANKER

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.

The Theory of the Thing

Business and stock market forecasting depends primarily on a study of monetary factors. Money, and its "flow," governs spending and trade. To mention supply-factors only (omitting the Demand-factors, which may also be important)—it was the 20% inflation of bank deposit money which caused the 1926-29 boom in America. It was a 28% deflation of bank money which caused the 1929 slump to reach the 1932 level. It was a 40% deflation of bank deposits which caused the Roosevelt boom of 1936. And it was a 6% deflation of bank deposits which caused the 1937 slump. Finally, it is the recent 9% deflation of bank deposits, coupled with prospective further deflation, that has caused the recent revival.

Deflation of the Supply of Money

It is generally conceded that inflation and deflation of the total supply of money influence prices, profits and employment. But changes in the Demand for money (either notes or bank deposits) can have a similar effect. A fluctuating demand for money is in fact an important cause of Trade fluctuation.

Deflation of Velocity—due to Fear

There are, however, two different sorts of Demand for money: (i) the Medium-of-exchange demand, which varies passively with the volume of trade without influencing it; and (ii) the Store-of-value demand, which fluctuates with confidence and fear, and actively influences Trade.

The point is that money, including bank money, is used or "demanded" not only for the sake of doing business (i.e. to spend soon), but is also widely used or "demanded" as an investment (i.e. to hold, and not spend soon). These differences in the time factor concerning the "holding" of money are subtle, but vitally important to Trade and the Stock Market. Bull markets can develop in money itself; and can bring about bear markets in securities and trade.

For instance, whenever general nervousness creates a desire for liquidity, the investment or liquidity-demand for money (including idle bank deposits) rises rapidly. Such bank-money is then used as a store of value: it is spent with less rapidity than usual; its velocity of circulation through industry is checked; and the volume of actual spending (on commodities and services) is reduced. Thus, trade, profits and employment suffer (from this Deflation of Velocity, or, if you like, from the growing Store-of-value Demand for money)—just as much as if the total Supply had itself been deflated. In both cases, the "flow" of money through industry (on to goods and services) is checked!

Pre-War Fallacies

Normally, this industrial disease (of a growing liquidity-demand for money) grows cumulatively during bad Trade, and makes matters worse. For, the greater the fear, the more the non-spending; and the more the non-spending, the greater grows fear.

Obviously no government can take away the liberty of an individual to hoard (i.e. not spend) his notes or bank deposits, if he so wishes; it is his own property, prerogative and often very sensible. But the fact is that if the majority of individuals act (maybe prudently) in this way, their collective action becomes socially harmful, and causes bad Trade. The government is then confronted with the problem of whether it should "mind its own business" and let Business decline naturally, or whether it should interfere and check the slump, by setting the "natural" supply of money to the harmfully growing "natural" investment-demand.

In the post-war era, with all its scares, the Store-of-value or Liquidity-demand for money has fluctuated much more violently than in the pre-war era. And unless something "artificial" is done to counteract these "natural" psychological variations in the "total" demand for money, the cumulative fluctuations in business may be aggravated.

A Cumulative Industrial Disease

Every banker and business man agrees that trade and prices (i.e. the value of money) are influenced by confidence, but many persons object to Money Management on the ground that "money does not influence Trade." They would not, however, hold these views if they understood that although in periods of declining Trade the Medium-of-exchange demand for money automatically declines, the Store-of-value demand normally increases (because of fear) even faster than the Medium-of-exchange demand declines—with the result that the "net" Demand for money as a whole positively grows (rather than decreases) during industrial depressions.

The Classical economists failed to emphasize this important fact. They emphasized rather the view that money was merely a Medium-of-exchange (which had no influence on Trade itself), and that the total Demand for it fluctuated parallel with business, declining when Trade fell off, and rising when Trade expanded. And, from this entirely false premise, they often argued that in so far as bank deposits were used as money, it was by no means unhealthy for bank deposits to be automatically contracted (as a result of bank loans being called in or investments reduced) as Trade fell off, and expanded as Trade improved. In fact, they rather approved the idea.

Law of Supply and Demand Disobeyed

But this reasoning is incomplete. The more modern view is that since, and because, the aggregate demand for money increases during bad Trade (even though the Medium-of-exchange demand declines), the total Supply should be adjusted to the Demand, and scientifically increased during periods of depression and falling prices (rather than being automatically or "naturally" reduced). (And vice-versa during booms, so as to prevent wild price-inflation.)

Instead of this being done in practice, however, the reverse operation normally eventuates. Nature has inconceivably arranged that, in the monetary sphere alone, the Law of Supply and Demand shall not be automatically and "naturally" obeyed, as it is in every other economic sphere, but rather should viciously work in the opposite direction—so that instead of a rise in the value or 'price' of money

BOOMS AND SLUMPS

The "Managed Money Digests" of Major L. L. B. Angas

A Unique Service on the American Market

Money Management—and Money Management alone—has been responsible for two recent abrupt changes in the major trend of the American Stock Market. A new super-power—the Government Money Managers—is at the helm, and their purposes and methods must be understood by investors wishing to operate with safety and profit.

Under Money Management, many of the older methods of cyclical forecasting are rendered partially obsolete. The well-tried Dow Theory, which pre-supposes wide cyclical swings, should become less reliable as a long-term market guide. Even the widely accepted principles of "cyclical" investment, promulgated in Major Angas' standard work "Investment for Appreciation," may require modification. For, insofar as money is properly managed, long-term Cyclical Fluctuations will be replaced by shorter (though perhaps sharp) Managed Money Cycles.

To assist investors in judging the medium-term and longer-term fluctuations in stocks and bonds under these new monetary conditions, Major L. L. B. Angas now writes a series of "Digests on the Outlook for Stocks and Bonds Under Managed Money."

In these Digests an attempt is made to aid investors in putting themselves in the place of the Money Managers so as to analyze: (1) The ever changing economic conditions which are likely to induce early action on their part. (2) The probable action to be taken. (3) The likely results on the stock and bond markets.

The analyses, which vary in length from Spot messages to 30-page pamphlets, have attained a wide circulation in America. So incisive are their arguments, so often have they "called the turn," that they are now regarded as indispensable by many leading bankers and business executives.

No extravagant claims are made for these Digests, but to participate profitably yet cautiously in the American Market, their study is advised. They will also help investors to apply the investment principles which have been followed by Major Angas in his various market pamphlets, a complete list of which follows:

Forecasts of Falls		
	Date	Subsequent Decline
Reparations, Trade, and Foreign Exchange (Forecasting the collapse in the German mark)	Feb. 1921	99%
The Coming Collapse in Rubber	Jan. 1926	80%
The Coming Collapse in Gold. (Included alternative forecast of further boom if America re-valued).....	Nov. 1933	—
Slump Ahead in Bonds (U.S.A.)	Feb. 1937	10%
Forecasts of Rises		
	Date	Subsequent Advance
The Coming Rise in Gold Shares	Feb. 1931	150%
The Coming (English) Boom	Sept. 1931	100%
Stock Market Tactics (Forecasting the Bond Boom, etc., in England)	Jan. 1932	28%
The Coming Rise in Wall Street	Apr. 1933	190%
The Coming American Boom	July 1934	100%
The (American) Boom Begins	Apr. 1935	65%
The Coming Rescue-Inflation (and Scramble for Stocks).....	Apr. 1938	45%

(SEPT. 1937) FORECAST OF A PANIC—UNLESS

Part of a telegram sent to the Washington Money Managers on September 10, 1937 (five weeks before the panic of October 19). (Three further supporting messages were sent). "Monetary Management is now on test. Irresolute half measures are bound to fail. If you do not act at once you will have a panic and a new depression, which will rapidly gather unexpected cumulative downward momentum as a result of the public's experience and bitter lesson learned in 1929-30. Everyone will try to get out simultaneously."

SIGNIFICANT DIGESTS OF 1938

Digest	Date	Remarks
"Coming Scramble for Stocks"	March 22	Published within 10 days of cyclical bottom.
"Nose Dive"	July 24	Issued at the first intermediate "top."
"Be Bold and Buy"	September 28	Issued at subsequent bottom.
"Start Selling—When"	October 14	
"Flare-up Ahead"	December 14	A sharp rise followed.

Your opportunity to profit from the American Market should be greatly enhanced by a subscription to Major Angas' Digests. A minimum of 12 issues is published each year, as market conditions seem to warrant rather than on specific dates. (18 were issued in 1938). Their cost is Five Pounds (or \$25) per annum. Six months: Three Pounds (or \$15).

Other Investment Services

Personal management of individual portfolios is also undertaken. In addition, Major Angas conducts a Telegraphic Service in which are made recommendations for purchase and sale of specific American stocks. The charge for this exclusive of cable costs, is \$100 (or £20) per annum [six months: \$60 (£12)] which subscriptions include the Digest service.

L. L. B. Angas, Investment Consultant, 570 Lexington Ave., New York

(namely a fall in general prices) benignly evoking an additional supply of money (as it ought to), it actually evokes a malignant and cumulative reduction. This monetary anomaly operates as follows:

Another Cumulative Industrial Disease

When general Trade shows signs of falling off, and when commodity prices start to fall, the collateral behind bank loans tends to shrink in value and many private bankers feel bound to call in loans—for prudence's sake. Forced sales in consequence occur; general prices deteriorate further; additional bank loans are therefore called in; and cumulative downward momentum is given to prices. Meanwhile the bank-money used by the public is itself deflated—instead of being inflated as it ought to be so as to meet the growing Store-of-value demand which invariably matures (through fear) during depressions. Supply is "naturally" deflated, when it ought to be inflated! The Laws of Supply and Demand are thus not only not obeyed, but positively disobeyed, in the Monetary Sphere.

The economic disease matures because of a natural (and prudent) tendency among individual bankers. It is nobody's fault: it is just endemic, and unavoidable in the very Nature of our modern banking system.

Need for Monetary Management

The disease of a cumulative growing Liquidity-demand for money would be bad enough, even if it operated in isolation, but when it is reinforced and aggravated (as it is) by the additional disease of 'a cumulative contraction of the supply,' it is too much for the industrial system to stand.

And these two cumulative diseases operate, not only on the deflationary side, but also in the direction of cumulative inflation, whenever an upward trend in Trade has once been established, after depression.

Stock Market Prospects

Meanwhile, the American stock exchange will jump or fall, as the throttle or brakes are alternately applied. Investors must keep their eyes and ears on the brains and feet which control the money pedals. They are vital. (Hence these Digests)

See Chart on Digest 48

Tuesday, January 17, 1939, compared with 61.1 a week ago and 61.1 a month ago. The average yields are 6.25, 6.16 and 6.15 per cent. respectively. We give below a selection of the separate indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1938 High
	Dec. 20, 1938	Jan. 10, 1939	Jan. 17, 1939	
Aircraft mfg. (5)†	96.7	93.8	87.1	106.7
Bldg. mfg. (6)	67.9	69.1	68.0	106.7
Coal (8).....	78.3	79.1	77.5	106.7
Iron and st. (19)	51.7	53.5	52.0	66.4
Oil (4).....	78.2	79.1	77.2	82.1
Home rails (4)	34.6	32.6	30.7	70.1
Brewers, &c. (20)	109.4	109.4	108.7	133.6

Group	Yield %			Price 1938 Low
	Dec. 20, 1938	Jan. 10, 1939	Jan. 17, 1939	
Aircraft mfg. ...	8.07	7.95	8.08	67.9
Bldg. mfg. ...	6.77	7.52	7.67	69.0
Coal* ...	7.91	6.87	7.07	45.4
Iron and steel*	7.71	7.62	7.81	67.1
Oil ...	9.82	10.63	11.32	33.3
Home rails ...	6.02	6.08	6.12	108.9
Breweries, etc.				

* Owing to revision of index, 1938 and 1939 yields not fully comparable. † Dec. 30, 1938 = 100.

We are officially informed that Mr Frederick Joseph Yeardsley and Mr John Houlden, trading as Ritcher and Company, have been expelled from the Stock Exchange as from January 18, 1939.

New York

QUIET conditions prevailed on Wall Street this week. Turnover has been running well below the million mark, and the net movement in prices, except for a mild rally on Tuesday, has been very limited. Dealers continued to display caution regarding the immediate trade outlook, and demand was affected by the realisation that forthcoming company earnings will make a poor showing. Rail stocks followed the general trend of the market and were not specifically affected by the withdrawal of the railroad support for the revision of bankruptcy laws. In the bond market Treasury issues remained very firm and small improvements occurred in the second-grade rail and utility bonds. Iron Age estimates steel production for the current week at 53 per cent. capacity, against 52½ per cent. last week, but records that demand is not so far gathering much momentum.

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

	1939		Jan. 4, 1939	Jan. 11, 1939	Jan. 19, 1939
	Low Jan 11	High Jan 4			
347 Ind's.	109.2	114.5	114.5	109.2	110.0
32 Rails	29.6	32.5	32.5	29.6	30.0
40 Utilities ...	80.3	82.8	80.8	80.3	82.8
419 Stocks ...	91.5	95.6	95.6	91.5	92.6
Av. yield * ...	3.49%	3.31%	3.31%	3.49%	3.47%
	High	Low			

* 50 Common Stocks. † January 19th.

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

Jan. 12	Jan. 13	Jan. 14	Jan. 16	Jan. 17	Jan. 18
122.6	121.2	123.8	123.8	124.5	124.4

1939 High: 130.3 January 4th. Low: 121.2 January 13th

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares 000's
	Shares 000's	Bonds \$000's	
Jan. 12	1,360	7,390	224
" 13	840	5,700	139
" 14*	470	3,640	89
" 16	670	5,620	159
" 17	820	5,690	173
" 18	630	5,840	143

* Two-Hour Session.

New York Prices

	Close Latest		Close Latest	
	Jan. 12, 1939	Jan. 19, 1939	Jan. 12, 1939	Jan. 19, 1939

1. Rails and Transport		4. Manufacturing	
Atchafalpa	38 38	Briggs	28½ 27½
Balt. & Ohio	75½ 71½	Chrysler	76½ 77½
B.M.T.	12 12½	Elec. Autolite	32½ 32½
Can. Pac.	51½ 53½	Gen. Motors	47½ 47½
Ches. & Ohio	35½ 36	Hudson Mtr.	73½ 74
G.N. Ry. Pf.	27½ 27½	Nash Kelvintr.	81½ 81½
Illinois Cent.	18 18½	Packard Mtr.	45½ 45½
N.Y. Central	20½ 19½	Bendix Avtn.	26½ 27½
Norfolk Pac.	13 12½	Boeing Airplan	31½ 31½
Pennsylv. R.	21½ 21½	Boeing Airplan	31½ 31½
Southern Pac.	18½ 18½	Douglas Air	71½ 71½
Southern Ry.	20 20½	Ignited Aircraft	37½ 39½
Union Pac.	95 96½	Air Reduction	62½ 64
Greyhound	18½ 18½	Allied Cheml.	185½ 184
		Col. Carbon	88½ 91
		Dupont	148½ 149
		Un. Carbide	86½ 88½
		U.S. Ind. Alc.	21½ 23½
		Allis Chalmers	42½ 43
		Gen. Electric	40½ 41½
		West'gselec.	111½ 112
		American Can	98½ 98½
		Addressograph	26 25½
		Caterpillar	44 46
		Cont. Can.	42 40½
		Ingersoll Rand	115 115
		Int. Harvester	52½ 52½
		Johns Manville	100 102½
		Am. Radiator	16½ 16½
		Corn Prods.	65½ 66
		J.I. Case & Co.	89½ 91
		Glidden	22½ 22½
		G. Am. Trans	58½ 58½
		Allied Stores	10½ 10½
		Celanese of A.	22½ 22½
		Ind. Rayon	26½ 28
		Colgate Palm.	13½ 13½
		Eastm'n Kdk.	182½ 182
		Gillette	7½ 7½
		Loews	48½ 48½
		20th Cen. Fox	23½ 23½

2. Utilities and Communications		5. Retail Trade, etc.	
Am. W'works.	131½ 137½	Mont. Ward.	48½ 49½
C'with. & S.	15½ 17½	J. C. Penney	77 78½
Con. Edison	30½ 32½	Sears Roebuck	18½ 18½
Col. Gas & El.	6½ 7½	Woolworth	49½ 49½
El. Bond & Sh.	11 12	Borden	16½ 17½
Nat. Pwr. & Lt.	7½ 8½	Gen. Foods	38½ 39½
N. American	22½ 24½	Kroger Groc.	22½ 23
Pac. Gas & El.	29 29½	Nat. Biscuit	25 24½
Pac. Lighting.	43 43½	Nat. Dairy	13 12½
Pub. Serv. N.J.	32½ 33½	Am. Tob. B.	88½ 89½
Stan. Gas & E.	3½ 3½	Lorillard	22½ 22½
United Corp.	31½ 31½	Reyn. Tob. B.	43½ 42½
Un. Gas Imp.	11½ 11½	Nat. Distillers	27½ 27½
Amer. Tel.	150½ 153	Schenley Dis.	15½ 15½
Inter. Tel. For.	9½ 9		
Westn. Union	22½ 23		
Radio	7½ 7½		
" B. Pref. 65	65½ 65½		

3. Extractive and Metal		6. Finance	
Am. Rol. Mill	201½ 195½	Comcl. Credit	52½ 51½
Beth. Steel	74½ 72½	Atlas Corp.	81½ 81½
Beth. Steel Pf.	113 111	Com. Inv. Tr.	55½ 54½
Republic St.	23 22½		
U.S. Steel	66 64½		
U.S. Steel Pf.	117½ 118		
Alaska J'neau	9½ 9½		
Am. Metal	36 37		
Am. Smelting	49 48½		
Anaconda	33 31½		
Bohn Alum.	26½ 26½		
Cerro de Pas.	47½ 44½		
Int. Nickel	53½ 52½		
Kennecott	40 39½		
Patino Mines	108½ 11		
Tex. Gif. Sul.	31½ 32		
U.S. Smelt.	59½ 57½		
Vanadium	27½ 27½		
Atlantic Refg.	22½ 22½		
Phillips Petr.	41½ 40½		
Shell Union	14½ 13½		
Shell Un. Pf.	105½ 106		
Socony Vac.	13 13½		
Stan. Oil Cal.	28 28½		
Stan. Oil N.J.	50½ 50½		
Texas	45½ 46½		

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

Jamaica Government.—Issue of £1,300,000 3½ per cent. inscribed stock at 99 (of which £60

Industry and Trade

Steel Shelters.—The official announcement on Tuesday, that an order had been placed with the steel industry for 400,000 household air raid shelters, was very much on the lines forecast in *The Economist* of December 3rd. Galvanised corrugated sheets of 14 gauge thickness (weighing 3.2 lbs. per square foot), with six five-inch corrugations on each sheet, will be employed for the shelter. The sheets are curved to meet overhead, and their lower edges rest between the flanges of two channels measuring four inches by two inches and weighing 7.09 lbs. per foot. At the top the sheets will overlap slightly and be bolted together, the whole contraption providing accommodation for four or five people, and being of such a simple nature that the veriest tyro could erect one. The Home Office instruction is that the site should be excavated to a depth of two feet and the earth placed on top of the shelter, so that persons in a recumbent position in the shelter will have the additional protection of being below ground level. This design was adopted by the Home Office experts after exhaustive tests and it is believed to offer adequate protection against bomb splinters and "blast." It should help to stiffen the morale of the Home Front.

To the steel industry this initial order—it is understood to be one-fifth of the total quantity to be ordered—will mean 100,000 tons of sheets and 18,000/20,000 tons of channels, with a considerable tonnage of bolts and nuts. Delivery is to be completed in 13 weeks, and, so far as the rolling is concerned, there should be no difficulty about the time-table. The capacity of the sheet trade for making five-inch corrugations and curving the sheets is not quite so certain; and the Home Office might have enlisted greater resources if they had confined themselves to the three-inch corrugations which are the usual standard of the sheet trade. Presumably the experts considered that the five-inch corrugation, which is 1½-inch deep as against the ¾-inch depth of the three-inch corrugation, made for greater strength. Practically all the members of the Sheetmakers' Conference participate in this order, and 14 members of

the Steelmakers' Association divide the order for the channels in varying proportions. The value of this order is just over £2,000,000. The ends of the shelters, which will also consist of corrugated sheets, have not been finally designed, and there is also a strong probability that a bracing strap will be necessary between the channels to prevent the sides from creeping inward under the earth pressure from the outside. This order will give a welcome fillip to certain sections of the iron and steel industry.

Support for Cotton Enabling Bill.—The Cotton Industry Enabling Bill is already assured of substantial support, and a full meeting of the Joint Committee of Cotton Trade Organisations, the sponsors of the Bill, will be held on Friday, January 27th. An official statement issued this week by the Joint Committee stated that a sufficient number of signatures had been received by last week-end to show that the proposals were now endorsed by a very large proportion of each of the producing sections. "Up to now the majority is greatest in the weaving section, but spinners are not far behind, and there is no reason to doubt that the verdict of the finishing sections will confirm that of spinning and weaving." All the organisations represented on the Joint Committee have reported in favour of the Bill, and in addition, outside organisations have adopted resolutions urging their members to support the Joint Committee's efforts. When the Committee meets on January 27th, steps will be taken to ensure the introduction of the Bill at the earliest possible moment.

American Copper Market.—The decline in copper prices on the London market during the last fortnight was caused mainly by the weakness of the market in America. According to the American Copper Institute, the United States' apparent consumption of copper declined from 808,300 short tons in 1937 to 481,300 tons in 1938, while production fell by only 221,374 tons to 743,876 tons. Owing, however, to the large exports of copper from the

SHORTER COMMENTS

Company Results of the Week.—**TRANSVAAL AND DELAGOA BAY INVESTMENT COMPANY** report that while South Africa could not entirely escape the effects of international affairs, business within the Union is comparatively normal. Net profits for the year to August 31 are maintained at £120,825. Investment trusts continue to show declines in revenue of varying degrees of severity. **DEBENTURE CORPORATION** have earned about £7,000 less at £125,215, but the 10 per cent. dividend is maintained. **GOVERNMENT STOCK AND OTHER SECURITIES** now show revenue on a gross instead of net basis, which would account for the apparent rise in net income from £41,892 to £45,556. The decline in **LAW DEBENTURE CORPORATION** total profits from £106,103 to £91,920 is due chiefly to a lower profit on sales of securities. In contrast with a trading profit of £59,586 in 1937, **JOHN CROSSLEY AND SONS**, the carpet manufacturers, have made a trading loss of £46,928 in 1938. The report, however, puts forward no explanation. In view of the industrial recession, maintenance of **STEAD AND SIMPSON** net profits, at £38,074, is satisfactory. Trading profits of **WILLIAM TIMPSON, LTD.**, whose accounts are presented in the improved form adopted last year, are 5 per cent. lower at £152,994. **L. AND J. WEBER AND PHILLIPS**, the boot manufacturers, are reducing their dividend from 6 to 3½ per cent.

BANK REPORTS

Baring Brothers and Company.—Total assets, December 31, 1938, are £23,001,356, a decrease of £2,486,886. Investments, at £9,923,146, show an increase of £1,265,192.

Erlangers, Ltd.—Balance sheet total, December 31, 1938, £11,349,961 against £11,718,178 for 1937. Deposits, £4,976,005 (£5,063,080). Cash £1,357,690 (£2,235,661). Advances, £3,887,651 (£3,078,487).

Glyn Mills and Company.—Balance-sheet total, December 31, 1938, £40,903,040, against £40,123,055 for 1937. Deposits, £35,809,496 against £35,094,351. Advances, £9,503,636 (£9,059,138). Investments, £10,158,921 (£10,483,293).

Munster and Leinster Bank.—Net profit half-year to December 31, 1938, £68,506 against £70,684 for second half of 1937. Dividend 12 per cent. per annum, tax free, as before. To contingency account, £15,000 (same). To premises, £5,000 (same). To staff pensions, £5,000 (same). Carry-forward, £43,725 (£44,339). Deposits are £24,184,036 (£24,157,131). Total assets, £26,845,172 (£26,820,772).

The National Bank.—Total assets, December 31, 1938, £41,275,903, against £41,478,833 at end of 1937. Deposits, £36,168,326 (£37,144,751). Advances, £17,273,932 (£16,631,853). Profit for half-year to December 31, 1938, £104,348, a decrease of £5,338 compared with second half of 1937. Dividend maintained at 12 per cent. per annum. To reserve, nil

(£10,000). To premises, £12,500 (£10,000). Carry-forward raised from £38,813 to £42,458.

Provincial Bank of Ireland.—Net profit for second half of 1938, £37,544 against £38,087 for second half of 1937. Dividend, 12½ per cent. per annum, absorbing £24,469 against £25,313. To reserve fund, £5,000 (same). To premises, £8,000 (£6,000). Carry-forward raised from £38,246 to £40,246. Deposits, £14,904,319 (£15,260,503). Advances, £6,242,821 (£6,267,650). Total assets, £17,085,778 (£17,418,380).

Hibernian Bank.—Net profit for half-year to December 31, 1938, £37,900, against £40,468 in second half of 1937. Dividend, 12 per cent. per annum, as before. To premises, £5,000 (£2,500). Carry-forward raised from £27,850 to £30,354. Total assets, £12,160,939 (£12,512,167). Deposits, £10,310,179 (£10,685,205).

Bank of Ireland.—Net profit for 1938, £379,821 against £390,749 for 1937. To reserve for contingencies, £75,000 (same). Total dividend, 13½ per cent., as before. Forward, £142,078 (£126,988). Total assets, £43,106,916 (£44,295,444). Deposits, £30,841,829 (£31,714,929). Advances, £14,803,160 (£14,347,746).

Yorkshire Penny Bank.—Total assets, December 31, 1938, £41,751,904, against £40,619,833 at end of 1937. Deposits, £39,251,904 (£38,119,833). Investments, £29,998,393 (£27,505,327).

(Continued on page 159)

United States, made possible by the restriction of production in other countries, stocks in the hands of American producers increased by only 30,000 tons during the year; at the end of December, 1938, they were estimated at 289,750 tons. At this level, producers' stocks are by no means excessive and consumers' invisible stocks, despite their rise during 1937, are still below the lowest level of the last slump. The technical position of the United States' copper market is, therefore, not as weak as might be indicated by its adverse influence on the London market. An improvement can also be expected after the closing on Tuesday last of the Lonard mine of the Anaconda group, which was followed on Wednesday by a 10 per cent. cut in the output of Utah Copper, a subsidiary of Kennecott Copper. But while this restriction of production will help to diminish the pressure of American supplies on world markets, it will not stimulate consumption in the United States, where the domestic price has been held at 11.25c. per lb.—the peak level of 1938—since October 14th, although the export price, reflecting the decline in London, has fallen below 10.25c. per lb. United States consumers are holding back in anticipation of an adjustment in the internal price and American producers would be wise to adapt their prices to the ideas of buyers, as past experience has shown the folly of restricting consumption by excessively high prices.

December's Overseas Trade.—The year's changes in British foreign trade and its prospects for 1939 are discussed in a leading article on page 113, but to complete the monthly record, the usual tables are given here. The value of both imports and total exports declined slightly between November and December, which latter month had one fewer working days than November. Compared with a year ago, the value of imports in December was 21.4 per cent. lower, and that of total exports 10 per

U.K. IMPORTS AND EXPORTS (£000)

	1936	1937	1938	Change between 1937 and 1938	Per cent.
December					
Total Imports	83,543	94,261	74,122	-20,139	-21.4
British Exports	40,516	43,882	39,099	-4,783	-10.9
Re-exports	6,200	4,979	4,779	-200	-4.0
Total Exports	46,716	48,860	43,877	-4,983	-10.0
Excess of Imports over Exports	36,827	45,393	30,245	-15,048	-33.1
Transshipments under bond	2,906	2,911	2,852	-59	-2.0
Year					
Total Imports	847,752	1,027,824	920,438	-107,387	-10.4
British Exports	440,605	521,391	470,883	-50,508	-9.6
Re-exports	60,769	75,134	61,608	-13,526	-18.0
Total Exports	501,374	596,525	532,491	-64,034	-10.7
Excess of Imports over Exports	346,378	430,299	387,947	-42,352	-9.8
Transshipments under bond	28,960	37,303	32,584	-4,719	-12.7

cent. lower. For 1938 as a whole, the value of both imports and total exports declined by a little over 10 per cent.; owing to the much larger absolute fall in the value of imports, the import surplus declined during the year by nearly 10 per cent. The fall in values between November and December was not due entirely, however, to the smaller number of working days; *The Economist* index of the volume of imported raw materials, on a daily basis, declined from 90½ in November to 86½ in December (1935=100) and the index of the volume of British exports also fell by two points, from 98 to 96.

Overseas Trade by Commodities.—The volume of retained imports of eleven out of the eighteen commodities listed in the table below rose between November and December, 1938; imports of textile fibres, of meat and sugar, and of non-ferrous metals, were all higher in December than in the previous month. Compared with December, 1937, however, imports of only five groups showed a marked increase—mutton and lamb, iron and steel scrap, raw sisal, flax, hemp and jute and petroleum. Among the commodities given in the second table,

RETAINED IMPORTS—MONTH OF DECEMBER

Item and Measure	1936	1937	1938
Wheat	'000 cwts. 8,886	7,986	7,586
Beef and veal	'000 cwts. 1,011	1,135	1,150
Mutton and lamb	'000 cwts. 584	603	692
Sugar (unrefined)	'000 cwts. 3,857	4,338	4,024
Iron ore and scrap	'000 tons 881	2,018	2,147
Raw cotton	'000 cwts. 1,704	2,018	2,147
Sheep's and lambs' wool	'000 cwts. 658	449	590
Flax, hemp and jute	'000 cwts. 46,504	30,595	39,011
Crude petroleum	'000 galls. 35,558	31,319	33,793
Hides, wet and dry	'000 cwts. 179	190	102
Wood pulp	'000 tons 206	178	146
Rubber	'000 cwts. 110	239	93
Unwrought copper	'000 cwts. 26,842	28,031	25,784
Pig lead	'000 cwts. 35,951	46,328	42,659
Tin: Ore and concentrates	'000 tons 5,403	4,850	4,316
Blocks, ingots, slabs and bars	'000 tons 292	797	52
Iron and steel manufactures	'000 tons 95	288	52
Machinery	'000 tons 9,991	11,386	7,671

BRITISH EXPORTS—MONTH OF DECEMBER

Item and Measure	1936	1937	1938
Coal	'000 tons 2,970	3,088	2,769
Iron and steel scrap	'000 tons 15,570	7,655	37,498
Pig-iron and ferro-alloys	'000 tons 11,032	10,895	13,410
Railway materials	'000 tons 25,077	23,220	12,163
Total iron and steel manufactures	'000 tons 204,829	196,807	162,040
Textile machinery	'000 tons 4,783	8,118	4,609
Cotton yarns	'000 tons 32,257	40,796	38,744
Cotton piece-goods	'000 lb. 12,292	11,018	9,622
Total machinery	'000 sq. yds. 170,084	141,038	108,104
Wool tops	'000 lb. 5,214	2,356	2,184
Worsted yarns	'000 lb. 2,644	1,931	1,999
Woolen tissues	'000 sq. yds. 6,159	5,900	4,597
Worsted tissues	'000 sq. yds. 3,802	3,438	2,317
Linen piece-goods	'000 sq. yds. 8,240	5,561	4,183
Leather boots and shoes	doz. pairs 28,910	27,063	24,758
Leather	'000 cwts. 26,036	15,619	17,451
Paper and cardboard	'000 cwts. 371,795	381,550	335,760
Locomotives and parts	'000 tons 1,406	3,221	2,749
Motor vehicles and chassis	No. 10,174	10,697	7,787

exports of only iron and steel scrap and of pig iron were appreciably larger than a year ago, but trade in both these commodities fell between November and December; exports of leather, of woollen tissues and of machinery continued to improve between these two months.

The International Sugar Council.—At its meeting in London last week, the International Sugar Council decided to postpone until its next meeting the consideration of changes in the exports allotted to the free market. The Council noted that the requirements of the free market (which is dominated by Great Britain) had been materially increased in the present season by the low yield

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

of the main European sugar beet crops, but as no arrangement has been made for an immediate increase in the current export quotas, it is presumed that current supplies are considered sufficient. The Council also noted that, unless the yield of sugar beet should again be exceptionally low in 1939, another reduction in export quotas will be necessary in the next season, but no decision has yet been taken on the matter. Such a reduction is likely to be a difficult problem, for the Council reached the limits of its existing powers when it authorised a 5 per cent. cut in exports for the present season. The necessity to reduce exports still further will therefore involve complicated negotiations among the countries represented on the Council.

Wholesale Prices React.—Towards the end of last year there were indications of an improvement in the prices of primary products. The pound had recovered in terms of dollars, and the favourable trend of business in the United States prompted a section of consumers to increase their stocks. The re-stocking movement, however, was short-lived and, as *The Economist's* indices show, the past fortnight has witnessed a set-back in the prices of many primary products. For England the complete *Economist* index has fallen by 0.8 per cent., and the primary products index by 1.6 per cent. The decline in American prices is less marked, for the complete Irving-Fisher index has only fallen by 0.3 per cent., and *The Economist's* primary products index by 0.6 per cent. With the exception of the index for the textiles group, the component series of the complete *Economist* index all declined during the past fortnight.

INDUSTRIAL REPORTS

BUSINESS in coal remains patchy; the demand for coal for heating purposes remains good, but export business is unsatisfactory. The Government has now placed orders for 400,000 steel shelters, involving about 100,000 tons of sheets, 18-20,000 tons of channels, as well as a large quantity of bolts and nuts. This order is believed to represent one-fifth of the total number of shelters to be provided by the Government. The returns of the value of building plans passed by 141 local authorities in December are disappointing, for they show a fall of 30.6 per cent. compared with the figures for the corresponding month in 1937. The Joint Committee of Cotton Trade Organisations is obtaining widespread support for its proposals for an Enabling Bill; the volume of new orders for cotton goods remains small.

Coal

Sheffield.—Business remains good, with house coal a strong feature. Industrial steam coals are in moderate demand, and improvement in the heavy trades should stimulate buying. Electricity works are taking heavy deliveries of smalls, the tonnage under contract reaching high proportions. Gas coal is moving very freely. Coking smalls are in plentiful supply.

There is no improvement in the demand for blast furnace coke, but central heating qualities are more freely taken up. For renewal of contracts the Coke Producers' Association has fixed 21s. 6d. per ton on rail at ovens, a reduction of 3s. 6d. per ton.

The export market is quiet. Large coal is in some request, but for smalls and singles there is little demand. Prices are unchanged.

Cardiff.—The position on the Cardiff coal market is unchanged and there are no prospects of any immediate improvement. Production and supply is being adjusted as closely as possible to the current demand, but the market is not absorbing the outputs and stocks have increased. Forward inquiries are not inactive, and current tenders include one for the supply of 140,000 tons of coal and patent fuel for delivery to the Algerian Railways between April and December.

Best large steam coals are steady and dry sized coals firm and relatively scarce; other grades are plentiful, and particularly ordinary steam and coking smalls. Prices are nominally unaltered. The price for pitwood under the French coal-pitwood barter agreement for the next three months has been reduced from 22s. 14d. to 22s. per ton at Bristol Channel ports, subject to a further reduction to 21s. 9d. if the quantity of coal taken is increased from 80,000 tons to 100,000 tons. The demand for coke and patent fuel shows little improvement.

Glasgow.—The collieries in Scotland are enjoying one of the busiest spells for a long time past. This is due mainly to the severity of the weather, which has stimulated demand both in home and overseas markets, but chiefly the former. Conditions are favourable in so far as the colder weather has called for increased consumption and has not yet retarded production. Pressure in the inland branch is chiefly for domestic fuel. A notable feature is the expansion in bunker coal business, ship-owners now entering into contracts more freely in order to secure the con-

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)	American (dollar)					
1936								
Dec. 30 1937	131.3	163.9	187.3	166.7	128.8	113.0	116.34	95.4
Dec. 29 1938	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0
Feb. 2 1938	126.6	144.4	135.4	164.5	119.8	137.9	142.9	97.0
Mar. 2 1938	125.1	143.1	138.7	164.5	120.3	138.1	142.5	97.2
Mar. 30 1938	122.7	137.0	129.3	164.6	117.7	139.4	141.7	97.1
April 27 1938	121.4	137.8	127.5	164.3	116.9	139.9	142.8	97.0
May 25 1938	119.6	132.2	121.9	165.5	117.2	145.6	143.4	96.3
June 22 1938	119.3	133.2	124.8	165.8	117.6	147.3	143.8	96.9
Aug. 3 1938	119.2	138.0	127.1	167.2	117.4	144.6	142.4	97.5
Aug. 31 1938	116.5	133.5	125.0	168.6	116.8	144.9	143.6	97.3
Sept. 28 1938	116.2	134.8	127.0	173.0	116.6	146.0	144.2	97.0
Oct. 26 1938	116.1	134.9	127.0	171.6	116.6	147.8	145.1	97.3
Nov. 23 1938	114.3	132.6	126.0	175.7	116.7	148.7	143.8	97.7
Dec. 21 1938	113.7	132.4	126.5	175.7	115.6	148.7	144.0	97.8
1939								
Jan. 4	114.7	134.8	127.5	177.1	116.0	151.2	144.3	98.0
Jan. 18	113.8	132.6	126.7	175.1	115.6	151.6	...	98.0*

* These figures relate to January 11th. † Monthly average.

Details of the component series are given below:—

(1927=100)	Sept. 18, 1931	Jan. 19, 1938	Jan. 4, 1939	Jan. 18, 1939
Cereals and meat...	64.5	90.9	69.6	69.1
Other foods	62.2	62.4	57.6	57.2
Textiles	43.7	58.4	53.4	53.4
Minerals	67.4	95.8	91.8	91.3
Miscellaneous	65.8	79.8	76.2	75.0
Complete index	60.4	77.2	69.2	68.7
1913 = 100	83.1	106.2	95.3	94.5
1924 = 100	52.2	66.7	59.9	59.4

cessions in price which such a course provides.

Iron and Steel

Sheffield.—The iron and steel market is slow to expand, and business this week has been on a limited scale. Pig-iron consumers are, in the main, apparently satisfied to cover their requirements as they arise, although a number of contracts over the first quarter have been placed. More interest is shown in foundry than in forge, demand for which continues to be restricted. Business in hematite shows a slight improvement, but users show little disposition to buy forward to any extent. Bar iron is showing a rather more healthy tone, although crown iron continues very dull.

Steady business is done in basic and acid steel billets, and a better inquiry exists for wire rods. Business in structural steel shows a downward tendency. Stainless steel sheets are very active.

Local production of alloy steels is reaching high levels, but there is a decline in the output of ordinary steel, though this is not serious. Some important overseas orders for machinery and railway track-work have come to hand, and there is heavy pressure of re-armament orders. The cutlery branches are not fully employed, but toolmakers have substantial order books.

Middlesbrough.—The placing of orders for sheets under the A.R.P. schemes will provide some of the local sheet mills with work for the next two or three months. It is understood that the requisite orders for joists, which will be required for the construction of

the shelters, have not yet been allocated. Plant producing shipbuilding steel is only moderately occupied and in this respect steel makers are waiting for developments in the position with regard to the suggested subsidies for British shipping.

There is more inquiry for pig iron, but buyers are not yet inclined to make big purchases. The output of Cleveland foundry pig iron is not large and stocks in makers' yards are not increasing. Makers of East Coast hematite expect increased orders as users come in to cover their requirements. Basic iron produced locally is all reserved for makers' own steelworks.

The market in foreign ore is quiet, whilst good Durham blast-furnace coke is freely available at 24s. 2d. per ton, free on trucks at the ovens. The heavy steel scrap position is unchanged and deliveries from local merchants remain restricted.

Glasgow.—The two principal sheet makers in the West of Scotland have secured a share of the contracts which have been placed by the Government for sheets for air raid shelters and these, with other work on hand, will keep rolling mills and galvanising plant busy over a considerable period. Steel-makers in the district will also benefit from the placing of the above contracts as much of the sheet bar material required will be supplied locally. Outside this business no particularly important contracts are reported, although the total tonnage of the various sections booked is quite heavy.

Cardiff.—Hopes are entertained that the Government orders for steel sheets and other materials for air raid shelters will benefit South Wales and Monmouthshire, but no information is yet available concerning either the extent of the Government's commitments or the regional distribution of the orders. The demand for tinplates shows no improvement, and in the first week of the year production was equal to only 34.83 per cent. of capacity, compared with 60 per cent. in the corresponding period of 1938. Galvanised sheets were firmer under a better inland demand. Prices are nominally unchanged.

News from Abroad.—Business on the international steel markets has remained quiet. Although there are no definite signs of an early reduction in official prices, consumers remain reluctant to cover more than immediate requirements. The decline in sterling, however, is a weak point in the price structure. American competition has remained keen in thick plates, but competition for other steel products has diminished. On the Dutch market a price concession of about 5 fl. per ton is expected for thick plates to meet American competition. The Cartel is investigating complaints that official prices are undercut by members, with the object of taking special measures to stop these infringements. The market for thin sheets, for instance, is subject to such an investigation.

A new convention will shortly be formed for cold rolled sheets, after the difficulties with the prospective German members of the group have been removed through intervention by the German Government.

The prospects of demand in the spring are widely regarded as promising. Japan is negotiating for the purchase of 50,000 tons of rolled products, but the terms are causing difficulties owing to the Japanese currency regulations. In South America, competition of American producers is keen in several products, in spite of the recent improvement in the domestic demand. In Europe, inquiries have come forward from Scandinavia and Holland, but the volume of transactions is relatively small.

Textiles

Cotton (Manchester).—Although there has been rather more inquiry, the volume of business has not increased. Amongst buyers there continues an absence of confidence partly owing to a fear of lower prices, and partly because of the uncertain political situation. There has been very little change in raw cotton prices.

The dullness of the yarn market has not been relieved. In one or two direc-

tions, however, there has been a little more activity in coarse American counts. Exceptionally low prices have been accepted for medium ring beams. Business in Egyptian numbers has been patchy and not of any weight.

Some manufacturers of piece goods have been tested in price on a rather freer scale, and in small lots there has been a slight improvement in the turnover, but this has not been accomplished without a further inroad upon margins. Many producers have now to make the choice of cutting prices or stopping more looms. Only a limited business has been done for the several outlets of India. Useful lines have been reported in fancies for Java and Singapore. Irregular buying has occurred for South America in printing and finishing styles. Home trade buyers have displayed more interest in prices and the turnover has been on a rather freer scale than recently.

Wool (Bradford).—The first series of Colonial sales opened on Tuesday in London with an all-round decline of 5 per cent. for both merinos and cross-
(Continued on page 152)

BARCLAYS BANK LIMITED.

EDWIN FISHER, Chairman.

WILLIAM MACNAMARA GOODENOUGH, Deputy Chairman.

HUGH EXTON SEEBOHM, Vice-Chairman.

General Managers: A. W. TUKE, W. O. STEVENSON, N. S. JONES.

Statement of Accounts

31st December, 1938.

LIABILITIES.

	£	£
Current, Deposit and other Accounts, including Reserve for Taxation and Contingencies and Balance of Profit and Loss	419,448,871	
Balances in Account with Subsidiary Banks	13,632,314	
		433,081,185
Acceptances and Endorsements, etc., for account of Customers		14,933,082
Paid-up Capital		15,858,217
Reserve Fund		10,750,000

ASSETS.

Cash in hand and with the Bank of England	53,241,449
Balances with other British Banks and Cheques in course of collection	14,873,119
Money at Call and Short Notice	26,207,550
Bills Discounted	54,594,153
Investments	96,876,802
Investments in Subsidiary Banks (at cost, less amounts written off):—	
The British Linen Bank—£1,240,344 12s. 6d. Stock	3,721,034
The Union Bank of Manchester Limited—300,000 Shares of £5 each, £2 10s. paid	750,000
Other Banks—including fully paid Shares and 500,000 "B" Shares of £5 each, £1 per Share paid up, in Barclays Bank (Dominion, Colonial and Overseas) and 1,000,000 Shares of £1 each, 5s. per share paid up, in Barclays Bank (France) Limited	2,525,525
Advances:—Customers and other Accounts	198,430,778
Balances in account with Subsidiary Banks	1,022,202
	199,452,980
Liability of Customers for Acceptances and Endorsements, etc.	14,933,082
Bank Premises and Adjoining Properties (at cost, less amounts written off)	7,446,790

HEAD OFFICE:

54, Lombard Street, London, E.C.3.
Over 2,100 Branches in England and Wales.

COMPANY MEETINGS

BARCLAYS BANK, LIMITED

RESULTS SATISFACTORY IN PREVAILING CONDITIONS

THE BANK'S FIGURES ANALYSED; LIQUIDITY A PRIMARY CONSIDERATION

WORLD FINANCE AND COMMERCE REFLECT THE ATMOSPHERE OF UNCERTAINTY

BRITISH PRODUCTS IN FOREIGN MARKETS

IMPORTANCE OF GOVERNMENT'S STEPS TO COMBAT UNFAIR CONDITIONS

SOME ENCOURAGING FACTORS FOR THE FUTURE

MR EDWIN FISHER'S REVIEW OF THE POSITION AT HOME AND ABROAD

The forty-fourth ordinary general meeting of Barclays Bank, Limited, was held, on the 19th instant, at Southern House, Cannon Street, London, E.C., Mr Edwin Fisher, chairman of the Bank, presiding.

The Chairman said: My Lords, Ladies and Gentlemen,—I will call upon the Secretary to read the notice of meeting and the certificate of the auditors which appears at the foot of the balance sheet that has been submitted to you.

The Secretary (Mr W. N. Seeley) then read the formal notice convening the meeting and the report of Messrs Price, Waterhouse and Company and Messrs Kemp, Chatteris, Nichols, Sendell and Company.

The Chairman: My Lords, Ladies and Gentlemen,—Is it your pleasure that the report and accounts submitted be taken as read? (Agreed).

THE DIRECTORATE

As will be seen from the report, Mr William Favill Tuke has retired from the board. This step, which he decided to take on the grounds of health, brought to an end a term of service with the Bank and its predecessors extending over a period of 54 years—a proud record. When he gave up the chairmanship, I made reference to his long association with the Bank and to his achievements, which are known to you all. We hope that he will find enjoyment in his well-earned retirement for many years to come.

During the year, the directors have elected to the board The Right Hon. Lord Cornwallis, M.C., Mr Lawrence Emllyn Douglas Bevan and Mr David Martyn Evans Bevan. Lord Cornwallis has many associations with Kent and will be of great assistance to us in connection with our business in that county. Mr L. E. D. Bevan has been a local director of the Bank at Lombard Street for several years. Mr Evans Bevan has numerous interests in South Wales, where, as you know, we have important branches. You will be asked to confirm the election of these directors, at a later stage in our proceedings.

That Mr B. J. Foster should have felt obliged to retire from the service of the Bank on account of ill-health is a matter of great regret to us. Mr Foster served the Bank for 38 years and had been connected with our foreign business for 27 years. Formerly assistant foreign general manager, he was appointed foreign general manager in 1934. I feel that you would wish to join with us in expressing gratitude to him for his valued services to the Bank and to wish him well in his retirement.

THE BALANCE SHEET

You will see from the report and accounts submitted to you that the total of our current, deposit and other accounts on December 31st last amounted to £433,081,185 and revealed a slight reduction from the figure of £434,645,323 at the end of 1937.

If one takes the figures shown in our monthly statements of average weekly balances and compares the movements in the total of our current, deposit and other accounts from month to month in 1938 with those in 1937, it will be seen that there has been remarkably little change. This we consider a most satisfactory feature, for during the past year, in view of the general atmosphere of uncertainty

at times prevailing, which resulted in a large withdrawal of foreign balances from London, a wider fluctuation in our figures might have been expected.

The rise in acceptances and endorsements, etc., for account of customers, from £8,532,516 to £14,933,082 between December 31, 1937, and December 31, 1938, does not indicate the expansion in trade which might be inferred from an increase in this figure in the balance sheet. In addition to the usual items which go to make up the total, certain other engagements entered into on behalf of customers, which had not been shown previously, have now been included. This accounts in large measure for the increased figure appearing in the balance sheet. The total is offset by a contra entry on the other side of the accounts, for, as we assume responsibility for the obligations which we undertake on behalf of customers, so are those customers liable to us to a similar extent.

CASH POSITION

Our cash in hand and with the Bank of England at the end of December last stood at £53,241,449 and the ratio of this sum to the total of our current, deposit and other accounts was 12.29 per cent. As a result of long practical experience, it is possible to judge very accurately the probable needs of our customers for actual currency and the amount which we retain to satisfy their requirements is always more than adequate to meet these demands. In the employment of our assets, however, provision is made so that large additional sums in cash are readily obtainable should they be required. If you turn to the balance sheet you will see that, broadly speaking, the assets are arranged in the order of their liquidity. The item of balances with other British banks and cheques in course of collection is self-explanatory.

The next asset, money at call and short notice, which at the end of the year amounted to £26,207,550, is one that can very quickly be turned into cash. It consists of money lent in the money market, mainly to bill brokers, although a minor part is represented by loans to members of the Stock Exchange. The sums lent are repayable at call or at short notice and the loans are made against readily realisable security, the bulk being secured by Treasury Bills or other bills discountable at the Bank of England. If at any time we should wish to increase our holding of cash, these loans can be called and, owing to the terms on which they are made, the high standing of the borrowers, and the nature of the security held against them, quick repayment is assured.

BILLS DISCOUNTED

Bills discounted, the next asset in order of liquidity, may be termed our third line of defence. The bills we discount consist almost entirely of maturities not exceeding three months, and the purchases are so arranged that bills are continually maturing. On December 31st last, the bills we had discounted amounted to £54,594,153, which included £30,455,000 of Treasury Bills. At the close of the previous year our total of bills discounted was £50,362,681. The increase in our holding of bills was secured in spite of the fact that there was a reduction during the year in the average allotment of Treasury Bills at the weekly tenders to £40 million, compared with £43.3 million in 1937. It is essential for the efficient working of the banking system

and of the money market that there should be an adequate supply of bills and, in view of the dependence of the discount market on the Treasury Bill, and the important rôle which these bills play in enabling the banks to secure a proper distribution of their assets, it is to be hoped that the authorities will bear in mind the requirements in this respect in framing future policy.

The total of these four exceptionally liquid assets in our balance sheet represented no less than 34.38 per cent. of our current, deposit and other accounts at the end of the year. It will be seen, therefore, that, in the employment of a large proportion of the assets of the Bank, the primary consideration is liquidity, rather than the acquisition of profit; but the maintenance of liquidity also depends upon the continued efficient functioning of the money market. At times, it may become advisable to reduce the credit that has been granted to the money market, in order to increase the Bank's holding of cash. Such an operation, in achieving this object, proves that the system is working properly, and that assets that are liquid in theory are equally liquid in practice. The efficacy of this system was amply demonstrated in September last, when, at a time of crisis, it was considered prudent to build up cash balances, entailing corresponding reductions in the amount lent in the money market and in the total of bills discounted.

THE MONEY MARKET

A feature of the London Money Market in recent years has been the low level of rates both for short loans and for discounts. These low rates are largely a reflection of the cheap money policy officially pursued in this country since the middle of 1932. For the bulk of our loans to the money market we earn only $\frac{1}{2}$ per cent. per annum. Discount rates for high class bills have shown some increase during 1938, the average rate at which three months' Treasury bills have been allotted in response to the weekly tenders being 12s. 4d. per cent. per annum, compared with the low figure of 11s. 2d. per cent. per annum in 1937. This rise, however, was due to the higher rates prevailing around the period of the international crisis in September and to the slightly more stringent monetary conditions at the close of the year, which forced the market to borrow large sums from the Bank of England.

In addition to its effect on discount rates, the crisis had other reactions on monetary conditions in this country. London has been for generations the principal international monetary centre of the world, for the intrinsic strength of sterling and the unrivalled facilities of the London Money Market made it a centre for the employment of funds from other countries. Foreign money employed in international markets is, however, always liable to sudden movements and the possibility of such movements is greater when, as in recent years, a considerable part of the foreign balances held in international centres appears to be "fugitive" money seeking temporary security rather than profit. It was not, therefore, surprising to see, as the result of the crisis in September last, large transfers of these balances taking place from London to New York, a centre far removed from the fears that overshadowed Europe. The flow of funds to the United States has also been encouraged by the economic improvement in that country. In addition, there has been a repatriation of balances to France, notable in recent months, as a result of the initial success of the steps taken by the French Government to restore economic and financial equilibrium.

At times last year the transfer of funds from the United Kingdom was reflected in a tightening of conditions in the London Money Market, but having regard to the magnitude of the outflow, the fact that the market was only temporarily affected stresses the value of the new monetary technique evolved in recent years and the skill of the authorities in managing the situation during an abnormal period. The experience of the past twelve months is particularly notable, owing to the fact that the heavy outflow of balances, as opposed to the previous sustained inflow, has now enabled a real test to be made of the working of the new machinery, in periods not only when large inward movements of money were taking place, but also when there was a large efflux.

NEED FOR STABILITY

To the extent that the recent withdrawal of balances from London represents a repatriation of money, due to a revival of confidence in its country of origin, the movement is healthy, for any reduction in the volume of funds moving from one centre to another for no other purpose than to seek a refuge from temporary uncertainty would eventually tend to improve the stability of the exchange and money markets of the world. Reasonable stability in exchange quotations is a prerequisite to the satisfactory conduct of international trade and the aim should be to maintain conditions in which overseas business

can be carried on without the risks attaching to frequent wide movements in the relative values of currencies. Recent experience has shown that, if the withdrawal of funds assumes large proportions and the pressure on the currency is insistent, a certain dislocation is inevitably caused. It was in anticipation of a development of this kind that gold was accumulated here through the Exchange Equalisation Account, and the fact that the account has had to dispose of substantial quantities of gold indicates the wisdom of the step taken to provide for such an eventuality.

EXCHANGE EQUALISATION ACCOUNT

The persistent pressure on sterling has caused the authorities to increase the amount of gold held by the Exchange Equalisation Account. As you know, on January 6th it was announced that £200 million of gold, valued at the statutory price equivalent to 84s. 11 $\frac{1}{2}$ d. per fine ounce, which it would appear had been previously sold by the Exchange Equalisation Account to the Bank of England, had been transferred by the Bank of England to the Exchange Equalisation Account. At market price, this gold was worth about £350 million. Although in the nature of a book-keeping transaction, the effect of the transfer is to mobilise a large sum in gold, so that it can be used in case of need in defence of sterling; and when we add to this amount such stores of gold as were still held by the Exchange Equalisation Account, the extent of the support available to uphold the external value of the currency will readily be seen.

This operation necessitated an increase in the fiduciary note issue of the Bank of England, which was raised from £230 million to £400 million, the increase of £170 million being £30 million less than the total of gold transferred. It will be remembered, however, that the fiduciary note issue was raised by £30 million in December last as a temporary measure to meet seasonal requirements, so that the total of the note issue reverted to the level at which it had previously stood and the various adjustments involved no inflation of the currency.

INVESTMENTS

The total of our investments, excluding our holdings in subsidiary banks, amounted at the end of December last to £96,876,802 and showed a contraction of £5,546,593 compared with the end of December, 1937. Of this total, £89,527,002 were securities of, or guaranteed by, the British Government and a very high proportion of these has a definite maturity date. Throughout the year, the total of our investments was maintained at a somewhat lower level than in 1937, partly because we considered it prudent to increase our liquidity by holding a larger portfolio of bills.

Included in the item of investments in subsidiary banks is our shareholding in Barclays Bank (Canada). I mention this specially, as, in October last, I visited the branches of that Bank in Montreal and Toronto. Instituted as recently as 1929, it is a newcomer to Canada. The progress made has been satisfactory and steady, and we find that our points of contact in that country are of considerable use to us in linking up our various activities not only in this country, but also in the many other parts of the world where we have associations.

ADVANCES

There has been an increase in the total of our advances to £199,452,980 at the end of December last, against £196,264,896 on 31st December, 1937. Banking advances tend over a period to reflect changes in industrial and commercial activity, although there is frequently a time lag before these changes are apparent in the demand for accommodation. According to the calculations of the Board of Trade, industrial production in this country reached a record high level in the December quarter of 1937 and, thereafter, there was a moderate setback. The total of our advances, however, continued to increase and reached the record figure of £202,668,708 at the end of June. Since then, there has been some reduction, but the decline has been small, the total at the close of the year being 1.6 per cent lower than on 30th June, while, as I have already pointed out, it was greater than at the end of 1937.

The detailed analysis of our advances which was made at the end of October last shows that, at that date, the number of customers having advances from the bank was 216,210 and the average advance was £893. The distribution of the total amount among the different trades, industries and private borrowers varied little from the proportions shown in the analysis for the previous year.

The accommodation which we had granted to farmers, as at the end of October last amounted to nearly £14,000,000, and represented

about 7 per cent. of the total of our advances then outstanding, the number of farming customers having advances being some 21,000.

AGRICULTURAL CONDITIONS

In addition to a general fall in agricultural prices last year, there was a heavy decline in the prices for certain products, which naturally affected some districts more than others. In these districts, the position of the farmer is serious and, in view of the national importance of the industry, this is a matter for genuine concern. Fortunately, British farming is very diverse in character. At the same time, this diversity is a difficulty which faces the Government in its attempts to afford assistance to the industry as a whole, for what may help one farmer may be of no assistance to another. One must not, of course, overlook the numerous ways in which the Government has rendered help to the farming industry up to the present time. The Wheat Act, to mention only one measure by which the Government has supported the industry, has undoubtedly done a great deal to meet the serious fall in the price of wheat. In recent weeks, however, owing to the low prices ruling last year for home-bred sheep and home-grown barley, which have caused heavy losses to many farmers, the Government has had represented to it the urgency of finding methods for aiding those branches of farming, and a review of the situation is understood to be in progress.

Changes for better or worse in the fertility of the land, upon which the success of agriculture so much depends, are, as a rule, very gradual in their operation and difficult or impossible to assess accurately from year to year. It is for this reason that a considered judgment of farming problems can only be formed from observations over a number of seasons. Thus it is, that such conditions for agriculture are required as will lead the farmer, with some degree of assurance of stable and remunerative prices, to put back those reserves which will build up the fertility of the land, in the way that has been traditional of British farming at its best, while assuring, at the same time, a reasonable livelihood for himself. It is the land itself which must first be served in any enduring system of agriculture.

It is not for us as bankers to provide permanent or long-term capital for agriculture or for any other industry, for should we do so, we should be lessening our general usefulness to the community and exceeding our proper functions. As I have already pointed out, we do provide accommodation of a banking nature to farmers and, in case of need, a degree of latitude is allowed, where the circumstances justify a departure from the terms governing the advance, for it is in the interests of the bank, no less than in those of its customers, that borrowers worthy of credit should be assisted whenever it is possible to do so.

NET PROFIT

The net profit of the bank for the year ended 31st December last, after payment of all charges and making provision for all bad and doubtful debts and for contingencies, amounted to £1,926,457 18s. 8d. The sum of £511,390 15s. 3d. was brought forward from 31st December, 1937, making a total to be dealt with of £2,437,848 13s. 11d. The directors have appropriated £250,000 to contingency account and £150,000 to reduction of premises account. After making these appropriations, the directors recommend the payment of dividends at the same rates as previously, namely, 10 per cent. per annum on the "A" Shares and 14 per cent. per annum on the "B" and "C" shares, less income tax, involving a total of £1,510,128 14s. for the year, leaving the sum of £527,719 19s. 11d. to be carried forward.

Although one always hopes to see undiminished profits, the decrease this year was not unexpected, in view of the extra provision which had to be made for taxation and bearing in mind the general conditions ruling. It was those conditions which led us to reduce, to some extent, our holding of securities and to reinvest part of the money in the less remunerative but more liquid form of bills. We have no reason to be displeased with the results or with the earning capacity shown by the bank. It is satisfactory to be able to make the allocations referred to, and the amount placed to contingency account is a transfer which, I am sure, in these times, will meet with the general approval of the shareholders.

THE ECONOMIC SITUATION

When I addressed the shareholders twelve months ago, I was speaking at the close of a year that had seen industrial production and the employment of insured workers in this country attain fresh high records. Already, however, indications were apparent that the confidence which had carried the United Kingdom through five years of recovery was on the wane, and a decline in activity in the United States, coupled with a fall in the prices of certain important commodities, had awakened fears of a downward movement in the

trade cycle in minds that were acutely conscious of the severe depression of 1929 to 1932. Some industries had experienced a falling off in business, resulting in a decrease in employment, in addition to which there was a general feeling of uneasiness in the international field, which even at that time had to be taken into account in assessing the prospects for the future.

The year 1938 will be inevitably linked in our minds with the crisis which brought us to the brink of war little more than three months ago. The immeasurable relief that swept over the world after the Munich Agreement has unfortunately not been followed by that confidence in world political conditions which is so essential to prosperity. Various factors in the economic situation appear to be encouraging, but in an atmosphere of unsettlement and restlessness there is a natural disinclination to do business or to enter into forward commitments until the outlook becomes clearer and calmer.

ARMAMENTS

It is a sad reflection that in almost every part of the world human energies and natural resources are being diverted to increasing armaments, with the result that progress in raising the standard of living must be retarded, if, indeed, the standard itself is not actually reduced. In present conditions, the United Kingdom has no alternative but to take every step to perfect its defences to ensure the protection of the country and of the Empire. Our ability to undertake this burden is unquestioned. Nevertheless, we have to realise that this growth in unproductive expenditure creates increasing problems for those controlling our national finances, and calls for a close scrutiny of every item of the cost of Government, so that no unnecessary calls should be made upon the public purse. Fresh money will have to be found, and no one will envy the Chancellor of the Exchequer his task. The position calls for a delicate adjustment to be made between State borrowing and taxation, for, with taxation at its present high level, it is important to do nothing which either diminishes the returns from taxation, or destroys the ability or the incentive to save. It is by the savings of the people that the capital assets of the country are created, and if the demands made by the State bear too heavily on the shoulders of the citizen, there is a risk that the priceless habit of saving may be impaired.

It is in these conditions that one must view the economic events of the past twelve months and the prospects for the future. It would be unreasonable to expect that this country could escape the decline in trade that has affected other nations, and it is, therefore, not surprising that, in spite of the growth of production for armaments, there has been a decrease in industrial output and a rise in unemployment. The tendency towards a lower level of activity has not, however, assumed serious proportions. Business in the home market, the importance of which has been enhanced by the tariffs imposed in 1932, appears to have been relatively well maintained in a period that has seen declining activity in many parts of the world and great tension in international affairs, and, in saying this, it is encouraging to note that the spending power of the population, as measured by the value of retail sales, has shown remarkable stability.

OVERSEAS TRADE

The importance of our export trade has been emphasised again and again. The subject loses nothing of its importance by repetition. Our dependence upon export business, as an outlet for a substantial part of our production and for securing to us the foodstuffs and raw materials which we need, is self-evident. The steps which the Government are taking, therefore, to obtain fairer competitive conditions for British products in markets abroad are of great moment. The arteries through which the stream of international trade ought to flow have become numbed and atrophied, and any measures that can revive and stimulate the flow of goods between one country and another are welcome. It is for this reason that the proposal to extend the export credits guarantee scheme is encouraging. The Bill now before Parliament is designed to increase the amount and the scope of the guarantees which, judged on strictly commercial grounds, can be given through the Export Credits Guarantee Department of the Board of Trade in connection with exports from this country. In addition, it includes an innovation, the effect of which will be to empower the Board of Trade to give guarantees in respect of transactions not coming within the strict category of a commercial risk, but which, nevertheless, can be regarded as in the national interest. Such a departure has been forced upon us, owing to the methods adopted by certain other countries, and the new powers will be needed until it proves possible for trade to be conducted on more normal lines. The success of measures to facilitate exports, however, must in the long run depend upon industry itself and upon its determination to make the most of its opportunities. A study of the

special requirements of overseas markets by investigation on the spot, either by manufacturers individually or through the combined efforts of trade groups, so as to ensure that the goods offered are those most suited to the needs of our customers abroad, would do much to raise British competitive power and should assist us to combat the new forms of competition with which we are faced.

ANGLO-AMERICAN AGREEMENT

The signing of the Anglo-American Trade Agreement is no ordinary achievement, for, apart from the benefits which must surely accrue as an immediate and direct result of the Agreement, it will have a far-reaching influence, wide in its scope, and possessing infinite possibilities. This Agreement, made between the two largest trading nations in the world, comes into being, fortunately, when the economic conditions in the United States are showing signs of improvement. It was made possible with the help of the Dominions and India who, in order to facilitate the negotiations, were willing to forgo certain of the advantages to which they were entitled under the Ottawa Agreements. It is a great contribution towards freer world trade. Reducing many duties, it raises none, and it demonstrates what can be accomplished when two countries make up their minds to negotiate and solve difficult problems to their mutual benefit.

THE BALANCE OF PAYMENTS

The figures of our overseas trade in recent months have shown a slightly better tendency, although for the year as a whole both imports and exports are lower than in 1937. As is known, we import a great deal more than we export. Last year, imports of merchandise and silver were £939 million and exports were £562 million, leaving what is described as an "adverse balance" of £377 million. In 1937, imports were £1,048 million and exports were £606 million, leaving an adverse balance of £442 million. To make up the difference between what we have to pay for imports and what we receive from customers abroad for our exports, we rely on "invisible exports," i.e. interest on overseas investments, shipping earnings, income from banking and insurance services, brokerage and commissions.

The estimated figures of invisible exports for 1938 are not available, but in 1937 the net receipts from this source were estimated at £395 million and their importance is shown by the fact that, although insufficient to cover the deficit on our visible trading account, they were equal to no less than 65 per cent. of the total of our exports of merchandise and silver in that year. It may be that, taking all the various factors into consideration, there will be some reduction in the total of our invisible receipts for the year 1938, for one has to bear in mind that in 1937 general trade was more active than during the past year.

It is for this reason that one is glad to see the decline in the adverse balance of visible trade, although unfortunately it has not come about by reason of increased exports but of reduced imports. To some extent, this country has gained, owing to the fact that prices of the goods we import have fallen, whereas prices for exported goods have on the whole been maintained. But such changes in the relative levels of prices may not of themselves be of ultimate benefit, for their reaction on the purchasing power of consumers abroad may eventually be reflected in reduced orders placed in this country.

BASIS OF STANDARD OF LIVING

A study of the changes in the balance of payments from year to year is important, for these figures indicate the extent to which the nation is building up or reducing its resources invested abroad. The United Kingdom, which is so dependent upon overseas supplies of foodstuffs and raw materials, is able to enjoy a high standard of living, largely owing to the substantial income which it derives from investments in other countries as the result of the thrift of past generations. During a period when increasing sums have to be devoted to unproductive expenditure, it would not be unreasonable for this country to draw on its external resources, but this state of affairs, while it need not give rise to undue concern if of short duration, could not be viewed with equanimity if it were allowed to become protracted.

Over a long period, the earnings of this country from its exports of merchandise and from its invisible exports have been sufficient not only to pay for the imports we consume but also to provide a margin for investment abroad. In the years 1936 and 1937, however, the returns were insufficient to cover the cost of our purchases from overseas and, consequently, we had to use part of the resources which had been accumulated abroad in order to adjust our international

balance of payments. Taking a longer view, the importance to this country of its income from external capital, which in 1937 yielded a net amount estimated at £220 million, emphasises the need wherever possible to build up our resources abroad.

OVERSEAS LENDING

The restrictions which, in present conditions, it has been found necessary to place on foreign lending by this country can be well understood. Apart from such restrictions, however, investors are naturally hesitant to venture their capital in new enterprises and the great volume of short-term money which has been accumulated in international monetary centres testifies to the lack of confidence that discourages holders of capital from employing their resources in a more permanent manner.

Opportunities for profitable investment abroad do arise, but in a world that has seen vast changes in methods of trading, the growth in the policy of self-sufficiency, the restriction of trade by clearing agreements and barter arrangements, and many defaults on foreign loans, any marked increase in foreign investment can hardly be expected; and in so far as such lending proves possible, the provision of capital by this country may need to be largely confined to transactions which result in some direct benefit to British industry. Moreover, the willingness of the lender to employ his capital abroad will be affected by conditions in the world at large and a feeling of confidence in the ability and determination of the borrower to meet his obligations, while the borrower will need to be assured that opportunities exist for employing the additional resources with profit to himself.

ESSENTIALS FOR CONFIDENCE

The passing of the year 1938 leaves us with few regrets. But if it has been memorable for the anxious times through which we have passed, it has also been memorable for the steadiness and solid purpose which have been displayed by the nation, even when conditions seemed most threatening. Events have crowded in, one upon the other, with great rapidity, and hopes, based upon a state of affairs to-day, too often become dissipated in the changing tide of events on the morrow.

Who can speak with any certainty of the future while the present uncertainty in international affairs persists? If the feeling of unsettlement could be dispelled, economic improvement would surely follow. Business enterprise has been held in check, but, in a clearer and more certain atmosphere, there is no doubt that confidence would be re-born, that funds now awaiting investment would be made available and British trade would receive that fresh impetus which is so much needed. In any event, there is no room for pessimism in our creed. Let there be faith in the future, faith in the ability of this country to surmount its own difficulties, and faith that the efforts which are being made in the cause of world peace will not be set at naught. (Applause.)

THE RESOLUTION

I now beg to move: "That the Report of the Directors produced, together with the annexed statement of the company's Accounts as at December 31, 1938, duly audited, be received, approved and adopted, and that a final dividend of 5 per cent., making 10 per cent. for the year, on the "A" shares of £4 each fully paid, and a final dividend of 7 per cent., making 14 per cent. for the year on the "B" and "C" shares of £1 each fully paid, less income tax in each case, be declared, payable on the 1st proximo, to the shareholders registered in the books of the Company on December 31st last."

I will ask Mr Goodenough, the deputy chairman, to second the motion.

Mr W. M. Goodenough (deputy chairman): My lords, ladies and gentlemen, I beg to second the motion.

The Chairman intimated that if any shareholders would like to make any remarks or ask any questions he would be glad to hear them.

No questions being asked the resolution was put to the meeting and carried unanimously.

The Chairman then proposed the following resolution:—

"That Mr Bertrand Yorke Bevan, Mr David Martyn Evans Bevan, Mr Lawrence Emlyn Douglas Bevan, Sir John Caulcutt, K.C.M.G., The Right Hon. Lord Cornwallis, M.C., The Right Hon. Lord Melchett, Mr Roger Henry Parker, M.C., Mr Hugh Exton Seebohm, Sir Harold Edward Snagge, K.B.E., and Mr Cecil Mercer Woodbridge, the retiring Directors, be re-elected Directors of the Company."

Mr W. M. Goodenough (deputy chairman) seconded the resolution and it was carried unanimously.

LORD EBBISHAM'S REMARKS

The Right Hon. Lord Ebbisham, G.B.E., proposed:—
"That Messrs Price, Waterhouse and Company, and Messrs Kemp, Chatteris, Nichols, Sendell and Company, chartered accountants, be reappointed auditors to the Company, to hold office until the next annual general meeting, at a remuneration for their services to be fixed by the Board."

In doing so he said he would like to add his tribute of appreciation and thanks to the Chairman for his interesting speech and for the admirable way in which he had steered the Bank through the anxious times of last year. They must all agree with the Chairman that there was no room for pessimism in their creed and that they must have faith that the efforts which were being made in the cause of world peace would not be set at naught.

Mr F. W. Rafferty, in seconding the motion, said he would like to associate himself with what Lord Ebbisham had said in thanking the Chairman for the speech to which they had just listened.

The resolution was unanimously agreed to.

VOTE OF THANKS TO STAFF

Mr R. H. Parker proposed that the cordial appreciation and thanks of the shareholders be given to the General Managers and the whole of the staff for the manner in which they had carried out their duties during the past year. He regarded it as a privilege, he said, to propose this vote of thanks, for the prosperity of the Bank depended upon the ability and loyal service of its staff. The work done by the General Managers and their assistants and the work of the managers of the various special departments at Head Office, as well as that of the inspectors, was worthy of all praise. They had a most efficient and at the same time human head office team, if he might call it such. Praise was equally due to all the local directors and district managers and their assistants at the various local head offices, and the valuable work which they did fully justified the Local Head Office system on which the Bank prided itself. Praise was also due to those who were responsible for the control of the London branches. Above all, this was an opportunity of saying "Thank you" to the Branch Managers and to the staff as a whole up and down the country. They bore to a great extent the heat and burden of the day, and it was largely through their efforts that the business of the Bank continued to expand. All the members of the staff had played their part in helping to produce the success which had attended the year's working, and in promoting the welfare of the Bank—not only by the care and efficiency with which they had performed their duties, but also by the spirit in which they had represented the Bank to its customers and to the community in general. That spirit was the spirit of service, cheerfully and willingly given. They had a most excellent and loyal staff of whom they could be proud. (Applause.)

Mr L. E. D. Bevan seconded the resolution, which was cordially approved.

MR STEVENSON'S RESPONSE

Mr W. O. Stevenson (one of the General Managers) said that in thanking Mr Parker for his very generous expression of appreciation of the work of the staff, he might, perhaps, remind those present that Mr Parker spoke not only as a Director of the Bank but also as a Local Director, which meant that what he had said was the result of his experience of and daily contact with a large number of the staff. The staff of the Bank consisted of some 13,000 men and women, and it would be readily understood that from year to year the changes which occurred were, in the ordinary course, numerous and frequent.

In speaking of changes, he wished to refer to one which had already been mentioned by the Chairman, namely, the retirement of Mr B. J. Foster, who until a few weeks ago held the post of Foreign General Manager of the Bank, and with whom he himself had been closely associated. He did not propose to endeavour to enlarge upon what the Chairman had already described as Mr Foster's valued services, but he did wish, as all his colleagues would wish, to say how sincerely they regretted the cause of his premature retirement and to wish him many years of renewed health and strength in which to enjoy his retirement.

It was gratifying to feel that those who were called upon to fill the vacancies which occurred from time to time were imbued with the same spirit of enthusiasm for and devotion to the Bank as were their predecessors. So long as this could be said they could feel assured that Barclays Bank would continue to hold the eminent

position which it had achieved among the great financial concerns of this country, and that it might be so, and that the Bank might go on from strength to strength was the united wish of Directors, Shareholders and Staff. (Applause.)

THANKS TO THE CHAIRMAN

Mr H. Eric Miller said he was sure it would be the wish of his fellow-shareholders to accord their very sincere thanks to the Chairman for his conduct of the meeting. They felt that they had a very steady hand at the helm, and he would like to assure the Chairman that he and his colleagues had the full support of all the shareholders.

Mr W. G. Haill seconded the vote, which was unanimously accorded.

The Chairman, in thanking the shareholders, said that he would like to associate himself with what had been said on the subject of the staff. He would pay a tribute to them not only for the excellent work which they had done throughout the year, but particularly for the admirable way in which they dealt with the difficult situation in those days of stress in September last. A great deal of extra responsibility fell on their shoulders. This was accepted by them willingly and ungrudgingly, and it was due to them that the work of the Bank was carried on smoothly and effectively. (Applause.)

The proceedings then terminated.

MICHAEL NAIRN AND GREENWICH, LIMITED

DISTRIBUTION MAINTAINED

The seventeenth annual general meeting of Michael Nairn and Greenwich, Limited, was held, on the 17th instant, in London.

Sir Michael Nairn, Bart., the chairman, said: The history of the Nairn Company since 1847 has been one of unbroken continuity and progress. The net revenue for the year under review receivable from investments, etc., amounts to £241,195, which compares with £255,591 for 1937, but the comparatively small reduction is largely accounted for by the increase in the standard rate of income tax. The board recommend the payment of a final dividend of 7½ per cent., together with a bonus of 2½ per cent., less income tax. In a year of great anxiety and recurrent international crises we are fortunate in being able to maintain the same dividend as we have paid since 1923, and at the same time to repeat the payment of a bonus of 2½ per cent., which has now augmented our dividend for four years.

Throughout practically the whole year the international situation has proved a serious deterrent to the free course of trade at home and abroad, resulting in a stifling of normal business enterprise and a lessening of the confidence so vital in maintaining a healthy flow of trade. Only those enterprises whose resources in time of peace and prosperity have been developed and husbanded to the fullest advantage find themselves in these more precarious days sufficiently fortified to stand the strain of the inevitable reactions which follow international unrest and uncertainty.

The Prime Minister stated, early this year, that in his view 1939 would prove more peaceful than 1938, and if that view is correct I see no reason why the new year should not see an expansion in trade. The new plant at Kirkcaldy is now practically completed and will enable us to concentrate more economically than in the past in the manufacture of certain grades of linoleum.

Referring to the growing national expenditure, the Chairman said that there was a rapidly increasing municipal spending largely directed by Government Departments, resulting in ever-increasing rates, which bore not only heavily on the community but hampered trade and discouraged enterprise.

The report was adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

The Reporting Manager,

THE ECONOMIST,

8 Bouverie Street,

Fleet Street,

London, E.C.4

Telephone: Central 8631

ALEXANDERS DISCOUNT COMPANY, LIMITED

CONDITIONS IN THE MONEY MARKET

A DIFFICULT YEAR

MR COLIN CAMPBELL'S REVIEW

The seventy-first ordinary general meeting of shareholders of Alexanders Discount Company, Limited, was held on the 18th instant, at Southern House, Cannon Street Station, London, E.C.

Mr Colin Frederick Campbell (the chairman of the company) presided.

The acting secretary (Mr E. P. G. Baggallay) having read the notice convening the meeting and the auditors' report,

The chairman said: Ladies and gentlemen, I assume you will take the report as read as usual. (Agreed.)

The Board of Directors has been increased by one member during the year, Mr Mark Dineley, whose appointment you will be asked to confirm later on in this meeting. Mr Dineley has had considerable business experience in several directions, and he is also connected with the Alexander family, who have always been the largest shareholders in the company.

POLITICAL UNCERTAINTY

The year 1938 will be looked back upon as one of great political difficulty and uncertainty; in fact, in September we were brought to the brink of war, which happily was averted at the last possible moment. In the existing circumstances it is hardly necessary for me to say, indeed it is obvious, that a discount company such as ours has passed through periods during the year when the outlook was very disconcerting.

Our main business has continued to be on the same lines as in recent years, by which I mean that we have held large blocks of short-dated Government securities, financed with money lent by bankers and others. Our most important holding consists of 4½ per cent. Conversion Loan, the running profit on which has been considerable. This stock can be repaid in July, 1940; consequently, with a probable maturity only eighteen months hence, it is now regarded in the discount market generally as a bill rather than an investment.

You will appreciate that the earning power of the business on a holding in securities of about 9½ millions, which is the amount shown in the balance sheet now in your hands, is satisfactory, in view of the low rates now prevailing.

THE LONDON DISCOUNT MARKET

We sometimes hear it said that the discount market is no longer a necessary part of the London money market and that no great harm would result if it came to an end. I venture to think that such a view is a wholly mistaken one and that it still constitutes an important link in the general financial structure of the City of London. (Hear, hear.) It is the "cushion," if I may use that expression, between the great banks and the Bank of England and so long as it fulfils this function it is entitled by usage and tradition to borrow money on bills and certain short-dated securities on specially favourable rates. It has a further use, inasmuch as it is the quickest and most convenient channel through which changes in money rates are effected. This became apparent during the week of crisis in September, when the future of rates was most uncertain.

So far as our business is concerned there is, however, another factor besides that of the rate of interest at which we can borrow which has to be taken into account, and that is the fluctuation which has to be taken into account, and that is the fluctuation in the prices of the securities which we hold. This we cannot control, and the movements take place very rapidly according to the political situation or the volume of money available at any one moment. It was in view of these fluctuations that we created one moment. It was in view of these fluctuations that we created a special reserve a few years ago, and, as the contingency for which we provided this reserve has now arisen, we have transferred this reserve to the credit of the profit and loss account.

BILL BUSINESS

Turning next to our bill business, this I am glad to say has been a little more profitable than in 1937, due in large measure to a rise in rates during the latter part of last year. We continue to turn over a very large volume of money on bills, and we do

our utmost to keep in touch with the many merchant house and companies with whom we have had business dealings over a long period of time. Commercial bills are still scarce, though recently we have seen indications of an increase in the volume on offer and we can only hope that this improvement will develop during the coming year and become a steadily increasing quantity. The Anglo-American Trade Agreement to which I referred a year ago is now an accomplished fact and we are fully justified in the belief that this most important agreement will result in a substantial increase in trade between America and this country and, indeed the British Empire.

THE ACCOUNTS

Referring to the statement of accounts in your hands, you will notice in the profit and loss account that the expenses at £39,473 are rather higher, due to several special causes as well as an increase in income tax; dividends absorb the same amount as in the previous year, while the amount carried forward is increased by £2,500 and now stands at £131,000. On the credit side of the account the rebate is also increased by £10,400 and now amounts to the important total of £163,131.

The figures in the balance sheet show some interesting features. Securities at £9,755,502 are much lower than they were a year ago when the figure was £14,014,462, while on the other hand bills discounted and short-dated bonds are nearly nine millions higher, the figure being £24,066,578 against £15,387,020. These changes in the relative position of investments and bills are due in great measure to our having transferred the holding of 4½ per cent. Conversion Loan from the former to the latter.

VALUE OF INVESTMENTS

Before leaving the subject of the investments there is one important point I would like to add, which is that the result of the transfer of the £300,000 from investment reserve account is that the value of the investments in the balance sheet is below the market price ruling on December 31st last and I need hardly remind you that as the value in our books declines so the return on these securities increases. Once again I can repeat what I have said on several previous occasions, that there are no commitments due by foreign Governments or foreign municipalities.

The money market was subject to wider fluctuations last year than in 1937, which brought about a rather higher average price for discounts. The rate at which the Treasury issued its Bills was 12s. 2½d. per cent. against 11s. 2d. per cent. in 1937. We were able to continue to borrow from the banks at ½ per cent. but even so the margin is wholly inadequate.

PRESENT POSITION

It is difficult to say what the position may be during this year, but it has to be borne in mind that the bulk of the foreign and fugitive money, which had been in London for some considerable time, has now been withdrawn.

The volume of the trade of the country, as measured by the figures issued by the London Clearing House, has not been maintained at the high level of 1937 and the export trade has not increased as we could have wished. It may be said that this country's proportion of the foreign trade transacted was fairly satisfactory, but it will never reach the dimensions we so much desire until the endless restrictions on trade of one sort and another are removed and the nations of the world are permitted to trade with one another with greater freedom. This is the aim and driving force behind the policy of the Government of this country, and we can only watch the steps being taken with both hope and confidence.

In conclusion, I would like to pay a tribute to Mr Newcomb and the sub-manager, together with all those connected with the management of the business for the loyal and excellent service they have rendered during the year.

The report and accounts were unanimously adopted and the formal business was duly transacted.

NATIONAL DISCOUNT COMPANY, LIMITED

DIVIDEND AND BONUS MAINTAINED

SIR SIGISMUND MENDEL'S SPEECH

The ordinary annual general meeting of the National Discount Company, Limited, was held, on the 19th instant, at Southern House, Cannon Street, London.

Sir Sigismund F. Mendl, K.B.E., who presided, after expressing regret at the death of Sir Sidney Peel, said:—The year which has just come to an end has been one of much anxiety, culminating, as we all know, in September in the severest international crisis since the Great War. I do not propose to dwell upon the many aspects of 1938, except in so far as they have had repercussions upon the London money market in general and the National Discount Company in particular.

ADVANTAGES OF RECENT ACQUISITION

We have indeed an important matter to report of a domestic nature which is of special interest to the shareholders—namely, the acquisition last July of the business of the well-known firm of Reeves Whitburn. This we feel sure will redound to the advantage of the company, and it has already, as you will observe, had some effect, in the comparatively short time which has elapsed, upon the amount of business we have transacted. The amalgamation has also provided one additional feature upon which I think we are to be congratulated, and that is that during the six months that have since elapsed we have had the good fortune of securing the co-operation, as directors of our company, of two gentlemen who were actively engaged in the business of Messrs Reeves Whitburn. We welcome them to our board as men in the prime of life and with experience in the practical working of a discount house which should prove of great value to our company.

DIVIDEND AND BONUS MAINTAINED

Dealing with the profit and loss account, you will observe that our gross profits have increased by a sum of £11,730 over the preceding year, and that after making provision for the National Defence Contribution, allocating £50,000 to the reserve fund and £5,000 to the Pension Fund, we are able to maintain the dividend and bonus at the same rate as last year and to carry forward rather more than we brought in. The allocation to the Pension Fund, though less than last year, brings that fund to a figure which in the board's opinion is approximately sufficient for the time being to provide for the purposes which it was created to meet.

With regard to our balance sheet, investments at £5,199,945, it will be noticed, are considerably lower than during the preceding year. As mentioned on a previous occasion, our investments are mostly of a short-dated currency, and by the method now adopted for the presentation of the accounts a considerable portion of those investments is, owing to their early maturity, included in the item "Bills and short bonds discounted." On the other hand, we have an increase in "Bills discounted," which is the more satisfactory as during the latter part of the year there has been a more favourable margin between the rates of interest and discount than for some time past. We welcome this all the more as it has enabled us to a greater extent to revert to the normal function of a discount company—namely, the discounting of bills.

ASSISTANCE FOR EXPORT TRADE

As a discount house we welcome any increase in the available volume of bills, for at no time in recent years has the standard of commercial acceptances been higher than at present. I might add at this point that the efforts of the Government in assisting export trade are encouraging and are much appreciated by those, who, like ourselves, realise the great importance of international trade to a country situated like our own. I need not say that I am more particularly referring, firstly, to the Anglo-American Trade Agreement, and, secondly, to the increased importance and financial support lately announced by the British Government in connection with the Export Credits Department of the Board of Trade.

In the accounts presented this year the provision for rebate has been computed on the same basis as heretofore, but on this occasion it has been deducted in arriving at the amount shown for "Bills and short-dated bonds" instead of being stated as a separate item on the liabilities side of the account. The reduction in the item "Bills

re-discounted" is, as will be seen from the balance sheet, due to the exclusion of Treasury Bills.

A prominent feature of the latter part of the year has been the improvement in French credit, leading to the repatriation of French funds, and other foreign balances here have generally been much reduced, no doubt owing to existing political uncertainty in Europe, which has led to the transfer of balances to the other side of the Atlantic. It is also to be noted that whereas in 1937 the money market negotiated its end of the year requirements without recourse to the Bank of England, in the year just ended recourse to the Central Institution by the market reached a high figure.

HOPEFUL FEATURES IN THE OUTLOOK

While there are certain symptoms which may, I think, lead us to feel more optimistic as to the coming year compared with 1938, I do not attempt to prophesy what the year has in store. Trade recovery in America and some indications that our own trade recession has been arrested are two hopeful features, and unless fresh political complications mar the progress of appeasement in Europe, which was initiated by the Prime Minister early last year, and which we all hope will prove to have been furthered by his visits to Munich and Rome, there is, I hope, ground for anticipating that 1939 may show a general improvement over 1938.

The recent Government measures aiming at the protection of the sterling exchange afford a welcome indication that the authorities are fully alive to the vital importance to this country of the maintenance of the international value of the pound. In this connection it is a regrettable fact that there has been a lack of confidence and a feeling of uncertainty in many financial and commercial centres, not only abroad, but even in our own country. It must be evident to everybody who takes a calm and dispassionate view of the position of this country and of the vast resources of the British Empire, that there is no reason either in the economic, commercial or financial spheres for any feeling of pessimism or depression.

In conclusion, the Chairman expressed his appreciation of the work of Mr Goldsmith, the managing director, and all members of the general staff.

The report and accounts were unanimously adopted, and proposed dividends were approved, viz. 2s. 6d. per share on the "A" shares, and 6s. 6d. with a bonus of 2s. per share on the "B" shares, all less tax.

THE NATIONAL BUILDING SOCIETY

A NORMAL YEAR

The eighty-ninth annual general meeting of the National Building Society was held, on the 13th instant, at Southern House, Cannon Street, London, E.C.

Mr W. F. Foster, F.R.I.B.A., F.S.I., the chairman, who presided, described the society's condition as very satisfactory. He said that, although Stock Exchange securities had fallen during the year, building society investors had preserved their capital without depreciation.

As from January 1, 1939, the rate of interest on "B" shares (i.e. investments made after June 1, 1933) had been raised from 3 per cent. to 3½ per cent., free of income tax. This applied to all new share investments.

Share capital amounted to £28,458,682, and deposits were £4,038,663. Mortgage assets had risen £3,007,956 to £33,139,558, and advances during the year totalled £6,188,309. Trustee investments stood at £1,703,986, the market value of stocks being £55,083 above book value. The cash balance was £929,657, a very satisfactory figure in the interests of liquidity.

Balance of profit was £1,205,277 allocated as follows: (1) Share Interest £925,064; (2) premises written down by £11,000; (3) to general reserve £140,000; (4) to reserve No. 2, £134,135, making total reserves £2,123,409, and £26,157 was carried forward.

Income tax had cost the society £213,704 and N.D.C. £24,317.

He regretted that details of the Government's War Risk insurance scheme were not yet available. He believed, however, that it was possible to show undue anxiety on that score. The society's mortgages covered 60,000 units; this spread of risk made building society investment as safe as any other.

Mr Wm. Cash, Junr., M.A., F.C.A., had been elected to the board, filling the vacancy occasioned by the death of Mr Huckle.

Granted a continuance of peace, the society could employ an increasing volume of new capital.

The report and accounts were adopted, and the retiring directors and members' auditor re-elected.

LIEBIG'S EXTRACT OF MEAT COMPANY, LIMITED

EXPANDING DEMAND

The seventy-fourth annual general meeting of Liebig's Extract of Meat Company, Limited, was held, on the 19th instant, in London. Mr Kenneth M. Carlisle (chairman and managing director) said that the accounts reflected the operations of a year which had not been so favourable as the previous one, nor entirely immune from the difficulties and problems characteristic of a period of general trade recession and declining prices. The figure of profit available for distribution was some £10,000 less and he felt that in the circumstances that result could be regarded with satisfaction, particularly having regard to the heavier taxation now levied on profits under the guise of the new N.D.C. and the higher rate of income tax. Depreciation in the value of foreign currencies, chiefly South American, had been fully taken up in the accounts and the amount involved was substantial.

As a set-off, it had not been found necessary to make such large provisions in respect of contingencies and subsidiary companies.

Having regard to the general situation and outlook and to the substantial balance brought into the profit and loss account, they had felt justified in drawing on that to the extent of £10,000, allowing them to maintain a final distribution at the same rate as last year, namely 7s. per share.

VOLUME OF TRADE MAINTAINED

The volume of trade in their well-known proprietary lines, Oxo, Fray Bentos, Lenco, Beefex, etc., had not only been well maintained but showed encouraging expansion in some fields, and they had little to complain of unless it be import quotas and restrictions as well as exchange control.

Their factory at Colon in Argentina had accomplished a smaller programme than customary owing to the difficulty of securing cattle at an economic level of price, but in Paraguay they had been successful in handling a larger number than for the past three or four years.

As regarded the latter country, the treaty of peace with Bolivia, by virtue of which a new frontier line was demarcated by a commission of South American Powers, who acted in the capacity of arbitrators, and had been accepted by both contending parties, was ratified in July last and it was hoped would provide a basis of lasting peace between the two countries. With more stable conditions Paraguay should forge ahead and already substantial progress had been made with the reconstitution of the herds which had suffered much depletion from the ravages and requisitions of the protracted war.

In Uruguay, where their activities were now confined to farming, the year had been a favourable one for agriculture and livestock and, with the exception of wool, the proceeds from which were much reduced owing to the fall in world prices, all sections provided good returns. Their exhibits of bulls and rams had met with success at the various livestock shows, but the end of the tale had been a reduction in the sterling proceeds of the dividend due to the heavy decline in the value of the Uruguayan peso.

RETURNS OF RHODESIAN COMPANY

The returns of the Rhodesian company showed a great improvement and the ranches in South West Africa had furnished the best returns so far. A considerable improvement was anticipated in the current year at the Kenya factory. As to the current year, sales of proprietary and manufactured products had been most satisfactory and showed an encouraging expansion, but there had been a further decline in value of South American currencies.

It would be hazardous to venture an opinion as to what the rates of exchange might be at the end of next August, as so many incalculable factors came into play, when planned and managed economy, combined with a general system of liberal subsidies to agricultural and pastoral producers was adopted by Governments as part and parcel of their policy.

Funds for the payment of the subsidies had to be found somewhere or somehow, and the strict control of exchange operations had provided the Governments of Argentina and Uruguay with an instrument which could be tuned in high or low key by varying the margin between buying and selling rates, to produce at will the wherewithal required to meet the difference between market and guaranteed minimum prices. As those differences were large at the moment the key was pitched high, and only the future could show if the bounteous crops in process of being harvested in Argentina would find markets and prices which would help to mitigate the heavy toll levied by the subsidiaries already in force.

The report was unanimously adopted.

BRITISH TIN INVESTMENT CORPORATION, LIMITED

BENEFITS OF RESTRICTION

The ordinary general meeting of the British Tin Investment Corporation, Limited, was held, on the 17th instant, in London.

Captain Oliver Lyttelton, D.S.O., M.C. (chairman and managing director), said that the company was now fully invested; they regarded that as the right policy to have pursued during a time when tin shares had fallen to comparatively low levels. Last year he had referred to the exceptionally prosperous conditions obtaining in the early part of 1937, and had told them that the board had taken the opportunity of realising some shares and that at the end of 1937 they had not yet reinvested the proceeds. Opportunities had occurred, however, during the latter part of the year, and they had been able to add to the strength of their portfolio at reasonable prices.

Over 97½ per cent. of the Corporation's and its subsidiary's investments were quoted; 87.8 per cent. were in shares of the following companies:—Associated Tin Mines of Nigeria, Ayer Hitam Tin Dredging, British American Tin Mines, Kamunting Tin Dredging, Kuala Kampar Tin Fields, London Nigerian Tin Mines, London Tin Corporation, Malayan Tin Dredging, Pangnga River Tin Concessions, Petaling Tin, Southern Kinta Consolidated, Southern Malayan Tin Dredging, Southern Tronoh Tin Dredging, Tekka Taiping, and Tronoh Mines.

VALUATION OF INVESTMENTS

The investments of their subsidiary company showed a small depreciation of about £4,500 below their book cost; its undistributed profits, however, covered the depreciation with a good margin. In the parent company, if they ignored the general reserve, the appreciation above the value at which the investments stood in the balance sheet was a small one, something between £40,000 and £50,000. That need cause little anxiety, because many of the prices were nominal and the purchase of a few hundred shares was often enough to cause a substantial rise in prices. Furthermore, there was a general reserve of £575,000. In conjunction with associated companies they had purchased a substantial interest in British American Tin Mines, a holding company owning through an operating subsidiary a mine in Siam. The property appeared to be of major importance, and he thought they might fairly classify the venture as a developing asset rather than a speculation.

The year 1938 has been a bad year for tin-mining companies, but it showed what restriction could do for an industry in bad times. It would be fair to say that, though tin-mining companies had found themselves on short commons, they had not starved.

THE BUFFER POOL

He had spent several weeks in Malaya and had seen a great deal of the industry and found much to admire. Last year had been marked by two events of great importance, first, the granting to Malaya and the Dutch East Indies of an increase of 7½ per cent. in their standard tonnages. There was no doubt that the experiences of 1937 showed that those countries were entitled to such an increase. The second important event had been the signing of the Buffer Stock scheme. The formation of that stock gave the Tin Restriction scheme the most complete machinery of its kind that existed. It was an interesting experiment, and he made so bold as to say that, if it achieved even some of its objectives it would be widely followed in other primary commodities. He had every confidence that the management arrangements for the Buffer Stock would work out satisfactorily. Naturally, the complete success of the scheme could only be achieved if there was an increase in consumption, particularly in the United States of America.

A FALLACY EXPOSED

There was one last subject upon which he wished to touch. Some critics said that the price range at which the International Tin Committee was aiming was too high, and that it would be better to have a larger quota and a lower price. This was a specious argument; quotas were governed by consumption. The idea that by producing, say, 1,000 tons per month more than the current consumption, the result would be a stable price of, say, between £170 and £200 was entirely fallacious. Just as there was no evidence that other metals were substituted for tin if tin sold between £200 and £230, so there was none that more was consumed if prices were £20 or £30 lower.

In conclusion, he said that he was hopeful that 1939 would prove a much better year for the industry than that which had just passed away unmourned.

The report was unanimously adopted.

RIO DE JANEIRO FLOUR MILLS AND GRANARIES, LIMITED

DIVIDEND MAINTAINED

The fifty-third ordinary general meeting of this Company was held, on the 17th instant, at River Plate House, London.

Mr S. C. Sheppard (the chairman), in the course of his speech, said that the fall in Brazilian exchange during the year, which meant a reduction of some 20 per cent. in the conversion rate, had very materially affected the currency assets and liabilities shown in the balance sheet. He considered the slightly lower net earnings should be thought satisfactory in view of the difficulties mentioned in the directors' report, and the balance available of £79,438 has enabled the board to recommend a final dividend of 5 per cent., which (with the interim dividend of 3 per cent.) made a total dividend of 8 per cent., the same as for last year.

(Continued from page 143)

breeds due to the absence of Continental competition on the opening night. The quality of both merino and crossbred wool offered appears to be good.

Judging by cables, there is good competition at every overseas selling centre, with prices varying very little from week to week. Heavy direct arrivals are at present pouring into manufacturing centres, thus relieving the trade of covering any urgent requirements.

Manufacturing conditions, particularly in Yorkshire, apart from khaki orders, are not at all good. The spring trade has opened very quietly, and many mills are not as busy as they were. The keen, wintry weather of the past month, however, should have materially helped retail clothiers, and the hosiery section is enjoying the greatest measure of prosperity. At the same time there is plenty of room for improvement in connection with both the men's and women's trade, and not until there is a larger consumption can prices rise.

THE COMMODITY MARKETS

THE decline in commodity prices a week ago has given way to a steadier tendency. On the whole, price changes were small this week, both in this country and in the United States.

Moody's index of the prices of staple commodities in the United States, for example, rose slightly during the week ended last Wednesday, from 142.8 (December 31, 1931 = 100) to 143.1. Consumers, however, are still reluctant to cover their requirements for a longer period ahead.

The prices of wheat and raw sugar are scarcely changed on the week. American raw cotton was steadier, but rubber fell below eightpence per lb. Linseed and linseed oil were slightly cheaper on Wednesday than a week ago. Flax and jute continued their upward movement, due to special causes. With the exception of spelter, non-ferrous metals were marked down. The immediate outlook for prices is uncertain.

Metals

Copper.—After falling to £42 10s. the price of standard cash recovered to £43 1s. 3d. per ton and thus closed on Wednesday with a net loss of 12s. 6d. on the week. Earlier this week the market was depressed by the

December statistics, and the slow demand for copper in the United States kept sentiment under pressure. On Tuesday, however, it became known that Anaconda had shut down one of its Butte-Mines and later the Kennecott company followed suit. This curtailment of the U.S.A. output has improved the outlook, the prospects of which are discussed in a Note on page 140.

Tin.—The price of tin showed much the same tendency as that of copper; after falling to £215 10s. per ton with a poor demand and the depressed Wall Street markets, it rallied to close on Wednesday at £216 7s. 6d., a loss of only 12s. 6d. on the week. There was no change in the basic position of the market. According to the Metallgesellschaft, the world's tin mines output declined from 186,034 metric tons in the first eleven months of 1937 to 146,412 tons in the same period of 1938. All leading producing countries except Bolivia and the Belgian Congo took part in the decline. Bolivia is apparently recovering from the effects of the Chaco war, while the Belgian quotas are fixed at such high levels that even the participation of those producers in restriction does not interfere with the expansion of their production.

Lead and Spelter.—The price of lead closed on Wednesday 5s. down at £14 10s. per ton, while spelter closed at £13 13s. 9d. per ton and thus was the only metal whose price showed no change on the week. While lead is still neglected for seasonal reasons spelter benefited this week from the reports of a pending decision on the British duty, which stimulated buying for nearby delivery. Moreover, it is expected that a greater tonnage of spelter will be used for galvanised sheets and corrugated iron in air raid shelters.

Grains

THE market for wheat has been quiet, but prices are little changed. The continuation of the drought in India has brought a resumption of interest there in Australian wheat. The Wheat Advisory Committee agreed last week that the wheat situation was sufficiently serious to justify the holding of an International Wheat Conference to discuss measures to improve the wheat markets; no date has yet been announced for the proposed Conference. A brisk demand for maize at the end of last week found the market short of

It had probably been one of the most difficult years the company had experienced for a long while past, but, notwithstanding this, the aggregate grindings of the flour mills were above those of the previous year although the actual deliveries were slightly down. As usual, they had to contend with fierce competition, and the depreciation in exchange had likewise to be faced; in addition to this the company had suffered considerable increases in local taxation. During the year there had been wide variations in the price of wheat and the falling market had not lent itself to satisfactory trading, but as flour was now one of the cheapest of local foodstuffs the consumption of that commodity should be maintained in Brazil, because once people became accustomed to the use of wheat flour they seldom abandoned it.

With regard to the future, it was more difficult than ever to express an opinion, but he believed that the authorities were making every possible effort to improve the situation.

The report and accounts were adopted.

supplies and prices rose considerably but declined later, on reports that the Argentine crop has much benefited from recent rain; compared with a week ago, prices show a small decline. The market in barley has also been quiet; the prospect of a good crop in Argentina is about balanced by the world shortage of maize.

Other Foods

Provisions.—Dominion butters continue to advance in price, but there was some weakening in Danish. Bacon prices were reduced by about 5s. per cwt. at the end of last week and meat prices also declined with a poor demand. Imported eggs were also cheaper.

Colonial Produce.—The market for cocoa was poor and the price of Accra fell by 9d. per cwt. compared with a week ago. There was a strong demand at the London tea auctions for most grades, and prices showed some improvement. Other markets were quiet.

Fruit and Vegetables.—Supplies of potatoes in London have been plentiful, but prices have been maintained except for those damaged by frost. Supplies of oranges have also increased and prices declined during the week.

Miscellaneous Commodities

Oils and Oilseeds.—These markets have been quiet, and with only a small volume of business, prices have tended to fall. An exception is linseed, for which prices remain firm. Egyptian cotton seed is in poor demand and quotations for March shipment to Hull have fallen to £6 10s. per ton. Trade in vegetable oils is disappointing; the price of refined cotton oil ex Hull is 15s. per ton lower on the week, though the price of linseed oil is firm.

Rubber.—The market has been consistently dull during the past week, in spite of the favourable December statistics. Stocks in the United States at the end of December were 9,000 tons lower than at the end of November, and the decline in consumption in December was less than had been expected. Compared with a week ago, the price of standard sheet on the spot declined by ½d. per lb., influenced mainly by the unfavourable situation in Europe.

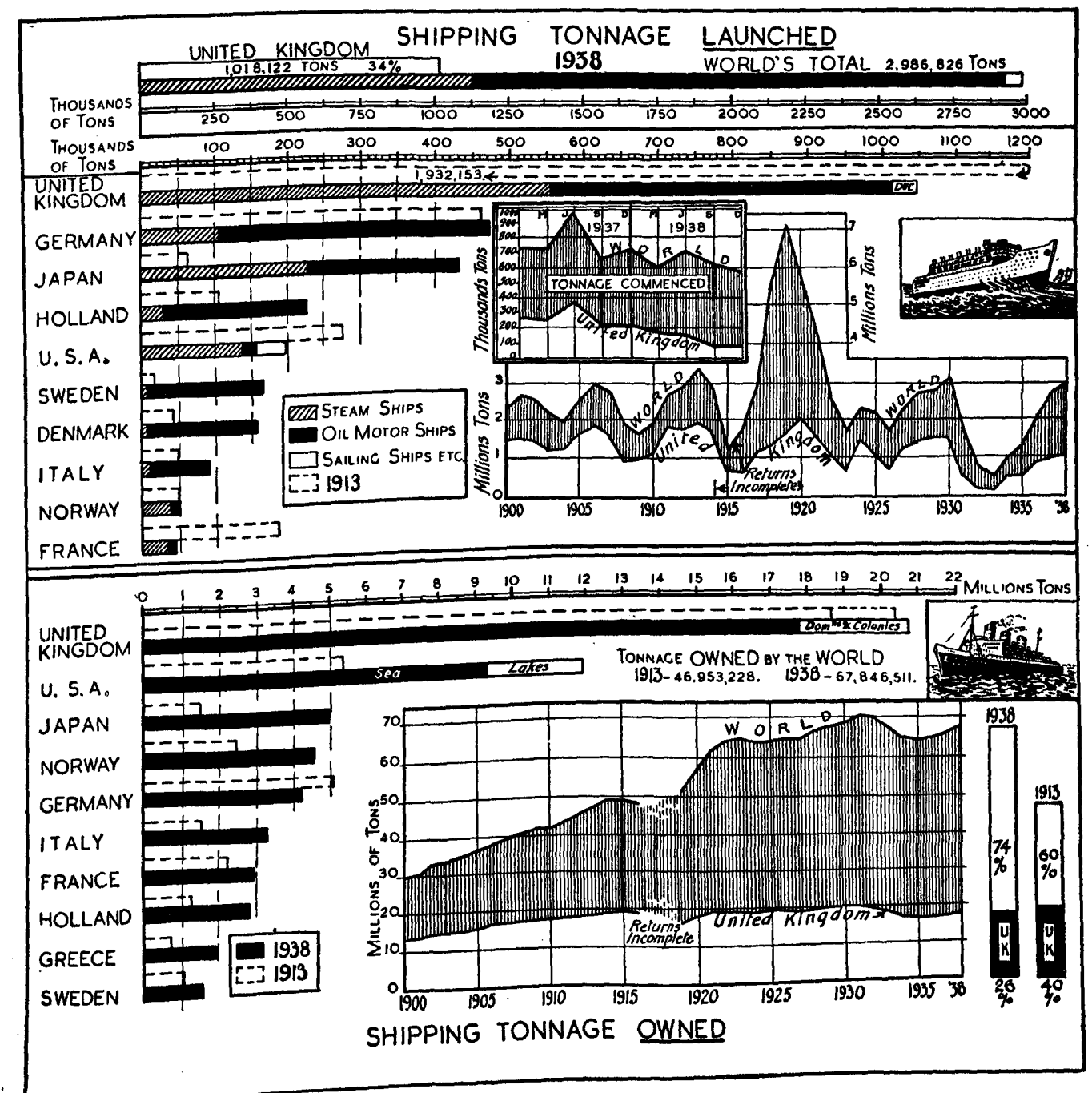
CURRENT STATISTICS

CONTENTS

	Page		Page
<i>Merchant Shipping and Shipbuilding</i> ...	153	INVESTMENT	
FINANCE		Transport Receipts ...	158
Government Returns ...	154	Dividend Announcements ...	158
Bank of England Returns ...	154	The Week's Company Results ...	159
Overseas Bank Returns ...	155	London Active Securities and Yields ...	160
Bank Clearings ...	156	INDUSTRY AND TRADE	
Money Rates ...	156	Commodity Statistics ...	162
Exchange Rates ...	156	British Wholesale Prices ...	163
<i>Bank and Discount Company Balance Sheets</i> ...	157	SPECIAL STATISTICS	
		Overseas Trade Returns ...	164
		Oil Outputs ...	164

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

Merchant Shipping and Shipbuilding



Finance

GOVERNMENT RETURNS

For the week ended January 14, 1939, total ordinary revenue was £41,383,000, against ordinary expenditure of £7,051,000. Thus, excluding sinking fund allocations and Defence expenditure from loans, the deficit accrued since April 1st last is £215,335,000, against a deficit of £141,859,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to 1938, to Jan. 15, 1938	April 1, 1938, to 1939, to Jan. 15, 1939	Week ended Jan. 15, 1938	Week ended Jan. 15, 1939
ORDINARY REVENUE					
Income Tax	£341,150	121,945	130,974	19,695	19,551
Sur-tax	62,000	20,060	22,230	3,990	4,980
Estate, etc.	88,000	71,000	59,390	1,290	1,360
Duties	24,000	16,950	15,580	660	250
N.D.C.	20,000	108	14,120	16	440
Other in Rev. Duties	1,250	680	870	70	50
Total I. Rev.	536,400	230,743	243,164	25,721	26,631
Customs	227,950	176,781	178,349	4,004	3,879
Excise	116,150	90,400	89,900	1,100	1,100
Total Cust. and Excise	344,100	267,181	268,249	5,104	4,979
Motor Duties P.O. (Net Receipt)	36,000	23,349	23,778	8,265	8,885
P.O. Fund.	8,670	10,350	7,790	1,150	500
Crown Lands	2,400	25	...	...	...
Rec. from Sun. Loans	1,330	1,030	1,020	...	...
Misc. Rec.	5,250	5,093	5,564	...	38
Misc. Rec.	10,500	11,093	9,866	159	350
Total Ordinary Revenue	944,650	548,864	559,431	40,399	41,383
SELF-BAL. REVENUE					
Post Office and Broadcasting	80,442	57,500	61,160	500	1,000
Total...	1,025,092	606,364	620,591	40,899	42,383

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to 1938, to Jan. 15, 1938	April 1, 1938, to 1939, to Jan. 15, 1939	Week ended Jan. 15, 1938	Week ended Jan. 15, 1939
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	193,743	194,943	416	559
Payments to N. Ireland	8,900	5,517	5,974	...	...
Other Cons. Fund Serv.	5,239	2,858	4,545	326	242
Total...	244,139	202,118	205,462	742	801
Supply Serv.	702,409	488,605	569,304	11,180	6,250
Total Ord. Expend.	946,548	690,723	774,766	11,922	7,051
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	57,500	61,160	500	1,000
Total...	1,026,990	748,223	835,926	12,422	8,051

* 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 £443,396 to £2,692,563, the other operations for the week (as shown below, but excluding £4,500,000 issued under the Defence Loans Act and £259,000 issued to Sinking Funds) reduced the gross National Debt by £29,134,000 to about £8,391 millions.

WEEK'S CHANGES IN DEBT

RECEIPTS (£ thousands)		NET REPAYMENTS, ETC. (£ thousands)	
Suez Canal drawn share	39	Treasury Bills	24,008
		Bk. of Eng. Adv.	750
		Pub. Dept. Adv.	3,940
		N. Atl. Shipping	25
		P.O. and Teleg.	450
		(Money) Acts	29,173
			803,796

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to January 14, 1939, are shown below:—

Ordinary Exp. (£ thousands)		Ordinary Rev. (£ thousands)	
Exp. issues	774,766	Rev. receipts	559,431
Defence Loan	3,758	Gross borr.	241,853
Issues	24,500	Less Sinking Fds.	7,488
Incr. in balances	772	Net borrowing	234,365
			803,796

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
Jan. 15 1938	612.0	308.9	35.3	...	956.2	344.2
Sept. 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	407.2	45.4	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
Dec. 3	517.0	445.4	49.5	...	1,011.9	494.9
" 10	507.0	465.3	46.7	...	1,019.0	512.0
" 17	500.0	474.2	51.5	...	1,025.7	525.7
" 24	493.0	495.3	42.1	...	1,030.4	537.4
" 31	498.0	497.6	45.8	5.3	1,036.7	543.4
1939						
Jan. 7	474.0	524.5	41.0	0.7	1,040.2	565.5
" 14	449.0	525.5	37.1	...	1,011.5	562.6

* 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		
1938					
Jan. 14	35.0	81.8	35.0	s. d.	47
Sept. 24	40.0	58.2	40.0	10	0.07
" 30	45.0	68.8	45.0	25	1.42
Oct. 7	50.0	71.6	50.0	14	2.46
" 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	14	11.37
" 25	35.0	69.6	35.0	17	7.80
Dec. 2	35.0	74.8	35.0	17	11.03
" 9	35.0	68.8	35.0	19	2.10
" 16	30.0	70.6	30.0	20	0.79
" 23	35.0	62.9	35.0	22	0.45
" 30	35.0	74.1	31.0	13	8.88
1939					
Jan. 6	25.0	60.3	25.0	11	0.08
" 13	25.0	65.1	22.0	10	8.09

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 maturing. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On January 13th applications at £99 17s. 4d. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted at about 24 per cent. and applications at higher prices in full. Applications at £99 17s. 5d. for bills to be paid for on Monday were accepted in full. £25.0 millions of Treasury bills are being offered on January 20th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
Calendar years:		1937		1938†	
1937		32,093,599	24,070,199	31,769,871	
1938†		31,769,871	24,070,199	31,769,871	
Week to:					
Jan. 1, 1938		521,021	390,766	521,021	
Dec. 24, 1938		4,022	340,516	4,022	
Dec. 31, 1938 (4 days)		413,766	310,324	413,766	

† Provisional figures only.

BANK OF ENGLAND RETURNS

JANUARY 18, 1939

ISSUE DEPARTMENT		AMOUNT OF FID.	
Notes Issued:		Govt. Debt...	11,015,100
In circultn.	467,953,420	Other Govt. Securities...	388,607,998
In Bkng. Department...	58,460,837	Other Secs.	66,249
		Silver Coin...	310,653
			400,000,000
		Gold Coin & Bullion	126,414,257
			526,414,257

BANKING DEPARTMENT		AMOUNT OF FID.	
Capital	14,553,000	Govt. Secs.	85,751,164
Rest	3,496,500	Other Secs.	18,490,658
Public Depts.	12,250,979	Disctns., etc.	23,805,880
Other Depts.	119,935,124	Securities...	42,096,536
Other Acc.	36,692,394	Notes	58,460,837
		Gold & Silver Coin	620,060
			186,928,597

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

THE WEEK'S CHANGES

Both Departments		Compared with	
		Last Week	Last Year
Jan. 18 1939			
Jan. 11 1938	467,953	- 7,690	- 7,718
Sept. 24	12,251	+ 6,963	+ 1,200
" 30	119,935	+ 1,796	+ 4,423
Oct. 7	36,693	+ 40	+ 245
" 14	636,833	- 12,817	- 11,186
" 21	18,050	+ 19	+ 44
" 28	485,374	- 10,423	- 181,303
Nov. 4	18,491	+ 3,631	+ 5,524
" 11	23,672	+ 1,261	+ 1,601
" 18	311	+ 27	+ 299
" 25	127,034	- 32	- 199,956
Dec. 2	59,081	+ 7,659	+ 7,762
" 9	34.9%	+ 5.4%	+ 5.1%
" 16	19.9%	+ 0.3%	- 30.6%

COMPARATIVE ANALYSIS

		1938		1939	
		Jan. 19	Dec. 28	Jan. 4	Jan. 11
Issue Dept.					
Notes in circ.	475.7	504.7	488.1	475.6	470.0
Notes in bank- ing dept.	50.7	51.7	68.3	50.8	58.5
Govt. debt and securities	199.7	229.7	229.6	399.6	399.6
Other sec.	0.3	0.0	0.1	0.1	0.1
Gold	326.4	326.4	326.4	126.4	126.4
Deposits:					
Public	11.0	15.9	20.5	19.2	12.3
Bankers	124.4	101.0	136.0	118.1	119.9
Others	36.9	36.8	37.2	36.7	36.7
Total	172.3	153.7	193.7	174.0	169.9
Bkng. Dept. Secs.					
Government	104.4	69.2	71.4	96.2	85.8
Discounts, etc.	13.0	28.5	48.9	22.1	18.5
Other	21.8	21.5	22.4	22.3	23.6
Total	139.1	119.2	142.7	140.6	127.9
Banking dept. reserve	51.3	52.5	69.0	51.4	59.1
" Proportion"	29.8	34.1	35.6	29.5	34.9
Reserve ratio†	50.5	49.7	48.0	19.6	19.9

† 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, £310,653; capital, £14,553,000; rest, £3,496,500.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in The Economist of May 28, 1938. The latest returns of the Bank of Egypt appeared in our issue of December 24th; Bulgaria, Estonia, Greece, Lithuania and Portugal, of December 31st; Argentina, of January 7, 1939; International Settlements, Federal Reserve, Reporting Members, Danzig, Denmark, India, Latvia, Norway and Sweden of January 14th.

U.S. FEDERAL RESERVE BANKS

Million \$'s					
12 U.S.F.R. BANKS	Jan. 20, 1938	Dec. 22, 1938	Jan. 12, 1939	Jan. 19, 1939	Jan. 31, 1939
RESOURCES					
Gold certifs. on hand and due from Treas.	9,118	11,763	11,868	11,896	11,896
Total reserves	9,554	12,079	12,294	12,341	12,341
Total cash reserve	427	306	418	435	435
Total bills discounted	11	1	1	1	1
Bills bt. in open mkt.	11	1	1	1	1
Total bills on hand	11	1	1	1	1
Industrial advances	18	16	16	15	15
Total U.S. Govt. secs.	2,564	2,564	2,564	2,564	2,564
Total bills and secs.	2,593	2,588	2,585	2,584	2,584
Total resources	12,874	15,569	15,601	15,707	15,707
LIABILITIES					
F.R. notes in circn.	4,155	4,483	4,375	4,336	4,336
Aggregate of open mkt. bank res. over regts.	1,370	2,980	3,440	3,560	3,560
Deposits — Member- bank reserve account	7,219	8,472	8,956	9,136	9,136
Govt. deposits	135	1,025	873	800	800
Total deposits	7,772	10,011	10,289	10,366	10,366
Cap. paid in and surplus	308	319	319	319	319
Total liabilities	12,874	15,569	15,601	15,707	15,707
Reserve to dep. and F.R. notes	80-1%	83-3%	83-8%	83-8%	83-8%
U.S.F.R. BANKS AND TREASURY COMBINED					
RESOURCES					
Money gold stock	12,755	14,454	14,577	14,611	14,611
Treasury and Nat. Bk. currency	2,639	2,788	2,805	2,816	2,816
LIABILITIES					
Money in circulation	6,346	6,943	6,716	6,666	6,666
Treasury cash and de- posits	3,756	3,702	3,585	3,526	3,526
F.R. Rks.					

BANK CLEARINGS

LONDON

(£ thousands)

	Month of December			Week ended		Aggregate from	
	1937	1938	Change	Jan. 19, 1938	Jan. 18, 1939	Jan. 19, 1938	Jan. 18, 1939
Number of wks. days:	25	25	%	6	6	16	15
Town	2,890,859	2,978,386	+ 3.0	677,007	627,665	1,979,954	1,715,018
Metropolitan	179,477	170,703	- 4.9	43,131	43,637	132,058	110,706
Country	313,695	299,527	- 4.5	80,129	78,214	238,632	207,378
Total	3,384,031	3,448,616	+ 1.9	802,267	749,516	2,350,644	2,033,102

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of December			Week ended		Aggregate from	
	1937	1938	Change	Jan. 15, 1938	Jan. 14, 1939	Jan. 15, 1938	Jan. 14, 1939
No. of working days:	25	25	%	6	6	13	12
BIRMINGHAM	12,115	11,062	- 8.6	2,876	2,506	7,122	6,294
BRADFORD	3,754	3,634	- 3.1	876	725	1,866	1,987
BRISTOL	5,494	5,154	- 6.1	1,243	1,219	2,748	2,694
HULL	3,719	3,402	- 8.5	919	751	1,996	1,737
LEEDS	4,045	4,278	+ 5.7	788	1,027	2,514	2,396
LEICESTER	3,202	3,114	- 2.7	826	820	1,921	1,781
LIVERPOOL	26,268	21,516	- 18.0	5,806	5,213	13,300*	11,042
MANCHESTER	44,109	39,675	- 10.0	10,091	9,690	24,616	21,494
NEWCASTLE	6,675	6,571	- 1.5	1,558	1,423	3,349	3,247
NOTTINGHAM	2,206	2,157	- 2.2	523	513	1,410	1,262
SHEFFIELD	5,141	4,787	- 6.8	1,069	950	3,326	2,688
Total: 11 Towns.	116,728	105,350	- 9.7	26,575	24,837	64,168	56,623
DUBLIN	...	...	...	6,814	5,570	12,712†	16,185‡

† Based on average working day. * Estimated. ‡ 2 calendar weeks.

MONEY RATES

LONDON

	Jan. 12, 1939	Jan. 13, 1939	Jan. 14, 1939	Jan. 16, 1939	Jan. 17, 1939	Jan. 18, 1939	Jan. 19, 1939
Bank rate (changed from 2½% June 30, 1932)	%	%	%	%	%	%	%
Market rates of discount							
60 days' bank drafts	9½	17½-9½	17½-9½	17½-9½	17½-9½	17½-9½	17½-9½
3 months' do.	9½	9½-9½	9½-9½	9½-9½	9½-9½	9½-9½	9½-9½
4 months' do.	9½-9½	9½-9½	9½-9½	9½-9½	9½-9½	9½-9½	9½-9½
6 months' do.	11½-9½	11½-9½	9½-9½	9½-9½	9½-9½	9½-9½	9½-9½
Discount Treasury Bills							
2 months'	9½	17½-9½	17½-9½	17½-9½	17½-9½	17½-9½	17½-9½
3 months'	9½	17½-9½	17½-9½	17½-9½	17½-9½	17½-9½	17½-9½
Loans—Day-to-day	12-1	12-1	12-1	12-1	12-1	12-1	12-1
2 months'	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Deposit allwns.: 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	%	%	%	%	%	%	%
Dec. 22	1-1½	1-1½	1-1½	1-1½	2½-3	2½-3½	3-3½
" 29	1½	1½	1½	1½	2½-3	2½-3½	3-3½
Jan. 5 '39	1½	1½	1½	1½	2½-3	2½-3½	3-3½
" 12	1½	1½	1½	1½	2½-3	2½-3½	3-3½
" 19	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:—

	Jan. 19, 1938	Dec. 21, 1938	Dec. 28, 1938	Jan. 4, 1939	Jan. 11, 1939	Jan. 18, 1939
Call money	1	1	1	1	1	1
Time money (90 days' mixed coll.)	1½	1½	1½	1½	1½	1½
Bank acceptances:—						
Members—eligible, 90 days	1½	1½	1½	1½	1½	1½
Non-members—eligible, 90 days	1½	1½	1½	1½	1½	1½
Commercial accept., 90 days	1	1	1	1	1	1

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Jan. 13, 1939	Jan. 14, 1939	Jan. 16, 1939	Jan. 17, 1939	Jan. 18, 1939	Jan. 19, 1939
New York, \$..	4.86½	4.66½-67½	4.66½-67½	4.67½-68	4.67½-68	4.67½-68	4.67½-68
Montreal, \$..	4.86½	4.70½-71½	4.70½-71½	4.71-72	4.71-72	4.71-72	4.70½-71½
Paris, Fr.	124.21	177½-178½	177½-178½	177½-178½	177½-178½	177½-178½	177½-178½
Brussels, Bel.	35.00a	27.60-67	27.60-67	27.64-69	27.63-67	27.65-71	27.67-72
Milan, L.	92.46	88½-89	88½-89	88½-89	88½-89	88½-89	88½-89
Zurich, Fr.	25.22½	20.65-69	20.66-70	20.67-72	20.68-72	20.70-75	20.71-76
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'dm, Fl.	12.107	8.58-89	8.59½-90	8.59½-90	8.60-62	8.61-62	8.61-62
Berlin, Mk.	20.43	11.62-69	11.62-69	11.63-67	11.63-66	11.64-69	11.66-70
Registered Marks	c	54½-59½	55-60	55½-60½	56-61	55½-60½	55½-60½
Br. India Rup.	†18d.	172½-173½	172½-173½	172½-173½	172½-173½	172½-173½	172½-173½
Hong Kong, \$..	†...	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½
Shanghai, \$..	†...	8-8½	8-8½	8-8½	8-8½	8-8½	8-8½
Rio, Mil.	†5.899d.	3½-4	3½-4	3½-4	3½-4	3½-4	3½-4
B. Aires, \$..	11.45	20-37	20-37	20-34	20-34	20-34	20-34
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	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.	†25.66d.	25½-26	25½-26	25½-26	25½-26	25½-26	25½-26
Moscow, Rbls.	...	24.76½-77½	24.76½-77½	24.76½-77½	24.76½-77½	24.80-80½	24.82½-83½

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 debts. (g) Nominal. (h) Official.

(b) Other Exchanges

London on	Par of Exch. per £	January 13, 1939	January 18, 1939	January 19, 1939
Helsingfors, M.	193.23	226½-227	226½-227	226½-227
Madrid, Pt.	25.22½	100-300½	100-300½	100-300½
Lisbon, Esc.	110	110-110½	110-110½	110-110½
Budapest, Pen.	27.82	23½-24	23½-24	23½-24
Prague, Kc.	116½-128	135½-136½	136½-137½	136½-137½
Danzig, Gul.	28.00	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	203-213	203-213
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	19-25	19-25	19-25
Stockholm, Kr.	18.159	19-25	19-25	19-25
Copenhagen, Kr.	18.159	22-35	22-35	22-35
Alexandria, Pst.	97½	97½-98	97½-98	97½-98
Kobe, Yen	†24.88d.	13½-14½	13½-14½	13½-14½
Singapore, \$	†28d.	27½-28½	27½-28½	27½-28½
Batavia, \$	12.11	8.57-60	8.59-63	8.59-63
Bangkok, Bht.	†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. (h) Under Anglo-Turkish Agreement. (i) Nominal. (m) Official.

LONDON—FORWARD

(Closing quotations)

London on		Jan. 13, 1939	Jan. 14, 1939	Jan. 16, 1939	Jan. 17, 1939	Jan. 18, 1939	Jan. 19, 1939
New York cent.	1 Month	(p)	(p)	(p)	(p)	(p)	(p)
	2 "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
	3 "	2½-2	2½-2	2½-2	2½-2	2½-2	2½-2
Paris, francs	1 Month	(d)	(d)	(d)	(d)	(d)	(d)
	2 "	14-14	14-14	14-14	14-14	14-14	14-14
	3 "	14-14	14-14	14-14	14-14	14-14	14-14
Amsterdam, cent.	1 Month	(p)	(p)	(p)	(p)	(p)	(p)
	2 "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
	3 "	4½-3½	4½-3½	4½-3½	4½-3½	4½-3½	4½-3½
Brussels, cent.	1 Month	(d)	(d)	(d)	(d)	(d)	(d)
	2 "	1-2	1-2	1-2	1-2	1-2	1-2
	3 "	2-4	2-4	2-4	2-4	2-4	2-4
Geneva, cent.	1 Month	(p)	(p)	(p)	(p)	(p)	(p)
	2 "	4-3	4-3	4-3	4-3	4-3	4-3
	3 "	10½-8½	10½-8½	11-9	10-8	8-7	8-6

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Jan. 12, 1939	Jan. 13, 1939	Jan. 14, 1939	Jan. 16, 1939	Jan. 17, 1939	Jan. 18, 1939
London:—	Cents	Cents	Cents	Cents	Cents	Cents
60 days	466½	466½	466½	466½	467½	467½
Cables	467½	467½	467½	467½	468½	468½
Demand	467½	467½	467½	467½	468½	468½
Paris, Fr.	2.63½	2.63½	2.63½	2.64	2.64	2.64½
Brussels, Bel.	16.91	16.91	16.91	16.91½	16.91½	16.91
Switzerland, Fr.	22.60	22.60	22.60	22.59½	22.59½	22.59
Italy, Lira	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼
Berlin, Mark	40.11	40.13	40.13	40.15	40.15	40.14
Amsterdam, Guilder	54.38	54.35	54.35	54.35½	54.35	54.35½
Copenhagen, Kr.	20.86½	20.85	20.85	20.85	20.85	20.85
Oslo, Kr.	23.48	23.47	23.47	23.50	23.50	23.50
Stockholm, Kr.	24.06	24.05	24.05	24.08	24.10	24.11
Athens, Dr.	0.85½	0.85½	0.85½	0.85½	0.85½	0.86
Montreal, Can. \$	99.150	99.125	99.125	99.150	99.210	99.310
Yokohama, Yen	27.26	27.25	27.29	27.28	27.31	27.32
Shanghai, \$	16.43	16.45	16.45	16.38	16.32	16.32
B. Aires, Peso	28.98	28.97	29.01	29.01	29.04	29.05
Rio, Milreis†	5.95	5.95	5.95	5.95	5.95	5.95

Usance: T.T.

† Official.

BANK AND DISCOUNT COMPANY BALANCE SHEETS

NATIONAL PROVINCIAL BANK LIMITED

LIABILITIES		Dec. 31, 1937	Dec. 31, 1938	ASSETS		Dec. 31, 1937	Dec. 31,
-------------	--	---------------	---------------	--------	--	---------------	----------

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Jan. 15 (£'000)					Aggregate Gross Receipts 2 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts
L. M. & S.—										
1938	380	480	324	804	1,684	762	929	628	1,557	2,319
1939	368	401	323	724	1,092	734	746	601	1,347	2,081
L. & N.E. (a)—										
1938	255	334	287	621	876	517	631	542	1,173	1,690
1939	253	269	291	560	813	497	492	504	996	1,493
Great Western—										
1938	165	196	133	329	494	334	385	261	646	980
1939	163	170	119	289	452	331	334	236	570	901
Southern—										
1938	261	58	40	98	359	527	110	71	181	708
1939	262	52	40	92	354	522	99	68	167	689
Total—										
1938	1,061	1,068	784	1,852	2,913	2,140	2,055	1,502	3,557	5,697
1939	1,046	892	773	1,665	2,713	2,084	1,671	1,409	3,080	5,164

(a) Week ended Jan. 14.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross decrease, first half 1938, over first half 1937	— 780	— 638	— 318	— 105
Gross decrease, second half 1938, over second half 1937	— 2,423	— 1,812	— 926	— 54
Gross decrease, first half 1939, over first half 1938	— 238	— 197	— 79	— 19
Weekly Figures				
Av. weekly decrease, 1st half 1939	— 119	— 98.50	— 39.50	— 9.50
Latest week compared with 1938	— 92	— 63	— 42	— 5
Latest week compared with average 1927-30	— 209	— 164	— 102	— 18

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended January 13, 1939 (£'000)			Aggregate Gross Receipts 2 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down ...	1.8	0.4	2.2	3.3	0.7	4.0
1938	1.7	0.3	2.0	3.3	0.6	3.9
1939	1.7	0.3	2.0	3.3	0.6	3.9
Great Northern ...	8.2	8.4	16.6	17.0	14.8	31.8
1938	8.2	8.5	16.7	17.0	14.9	31.9
1939	8.2	8.5	16.7	17.0	14.9	31.9
Great Southern ...	28.6	50.8	79.4	58.8	98.3	157.1
1938	28.1	39.1	67.2	58.7	81.1	139.8
1939	28.1	39.1	67.2	58.7	81.1	139.8

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending Jan. 14, 1939, before pooling	574,800	+ £ 8,300
Total, 29 weeks to date	16,473,100	+ 173,300
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

OVERSEAS WEEKLY TRAFFIC RECEIPTS

INDIAN

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1938	+ or -	1938	+ or -
Bengal & N. Western	13	Dec. 31	11,92,795	+ 38,711	91,71,286	— 66,198
Bengal-Nagpur	39	31	29,09,000	— 1,16,607	6,84,43,930	— 11,53,177
Bombay, Bar. & C.I.	40	Jan. 10	34,69,000	+ 1,21,000	8,95,53,000	— 11,27,000
Madras & S. Mah.	37	Dec. 20	23,65,000	+ 2,07,575	5,27,15,620	+ 28,62,217
S. Indian	37	20	14,24,059	— 1,41,145	3,94,59,819	— 4,63,529

† 10 days. † 11 days.

CANADIAN

Canadian National ..	2	Jan. 14	3,115,003	+ 47,586	5,922,260	+ 135,082
Canadian Pacific.....	2	14	2,126,000	— 235,000	4,252,000	— 397,000

SOUTH & CENTRAL AMERICAN

Antofagasta	2	Jan. 15	£12,090	— 8,800	22,920	— 15,050
Argentine N.E.	28	Jan. 14	£139,700	— 23,000	4,678,100	+ 203,900
B.A. and Pacific.....	28	Jan. 14	£8,666	— 1,427	290,204	+ 12,646
B.A. Central	27	Dec. 31	£1,581,000	+ 63,000	35,211,000	— 2,132,000
B.A. Gt. Southern....	28	Jan. 14	£108,900	+ 16,400	2,184,309	— 132,257
B.A. Western	28	Jan. 14	£2,808,000	— 487,000	59,756,000	— 1,453,000
Central Argentine ...	28	Jan. 14	£174,194	— 30,210	3,706,948	— 88,895
Central Uruguayan...	28	Jan. 14	£856,000	+ 119,000	19,290,000	— 1,917,000
Leopoldina	2	Jan. 14	£53,102	+ 7,382	1,196,650	— 118,922
Northern Railway....	2	Jan. 14	£134,956	+ 7,102	3,101,160	— 565,398
Nitrate	2	Jan. 14	£145,815	+ 6,912	4,306,783	+ 217,680
United of Havana ...	28	Jan. 14	£206,800	+ 321,000	3,988,000	+ 709,000
			£24,988	+ 5,116	48,268	+ 10,906
			£268,800	+ 16,600	514,600	+ 48,300
			£3,819	— 2,957	514,600	— 30,087
			£18,553	— 1,723	452,619	— 30,087

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

SUEZ CANAL RECEIPTS

Transit Receipts†...	1	1939 Jan. 10	£ 235,300	—	£ 44,200	£ ...	£ ...
----------------------	---	-----------------	--------------	---	-------------	----------	----------

† 10 days.

† 10 days.

AMERICAN RAILROADS

Company	Month of November, 1938	Compared with Nov., 1937	11 Months 1938	Compared with 11 Months, 1937
Baltimore and Ohio	12,132,000	+ 383,000	122,624,000	— 35,088,000
New York	1,675,000	+ 777,000	13,112,000	— 11,095,000
Central	27,536,000	— 1,122,000	269,580,000	— 69,338,000
Pennsylvania	3,150,000	+ 1,333,000	12,779,000	— 24,226,000
Railroad	32,708,000	+ 156,000	327,613,000	— 98,185,000
Southern Pacific	6,681,000	+ 3,002,000	50,762,000	— 19,038,000
Union Pacific.....	17,486,000	+ 161,000	183,196,000	— 25,352,000
	2,085,000	+ 1,256,000	12,257,000	— 9,250,000
	14,533,000	+ 1,000,000	136,262,000	— 13,707,000
	3,207,000	+ 140,000	17,221,000	— 3,349,000

† Net operating income.

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					Brixton Estate	7 1/2	11	...	(v) 7	Marshall (Marbeck) ..	17 1/2	25	...	24
Bank of Ireland	13 1/2	...	...	13 1/2	Brotherhood (Peter) ..	7 1/2	...	...	5*	Metropolitan Trust ..	7 1/2	12	...	12
Hibernian Bank	12 1/2 pa	...	...	12 1/2 pa	Cent. Comm. Prpts.	5*	...	...	5*	Midland-Caled. Invt. ..	6	Feb. 20	...	6
Imperial of India	18	...	...	18	Cinzano	10 (b)	...	...	6	National Omnibus, &c. ..	8 1/2	...	...	8 1/2
Isle of Man Bank	9 1/2	...	...	9 1/2	Coldstream In. Tr.	4 1/2	Jan. 31	...	4 1/2	N. Cent. Wagon	6*	...	...	6*
The National Bank	5 1/4	10 1/2	...	11 1/2	Cow and Gate	(v) 10	...	...	(v) 18	Northern Corp.	10 1/2	...	...	10 1/2
Northern Bank "A"	25 1/2	5 1/4	...	5 1/4	Dixor, Ltd.	35 1/2	50	...	50 p.a.	Outram (George)	10 1/2	12 1/2	...	12 1/2
Do. "B"	2	...	...	2	Eastwoods	5*	...	...	5*	Pawsons and Leaf	2 1/2	...	...	2 1/2
Royal of Canada	2	Mar. 1	...	2	Ensign Lamps	10*	...	...	10*	Scottish Assets	2*	Feb. 1	...	2*
TEA & RUBBER					Equatorial Trust	2 1/2	4 1/2	...	3 1/2	Sec. Clydesdale In.	2*	...	...	2*
Anglo-Dutch of Java ..	4*	...	...	4*	For. & Co. Inv.	2 1/2	4 1/2	...	3 1/2	Tillings and B.A.T.	5 1/2	...	...	5 1/2
Ang-Cey. & Gen.	3*	...	...	3*	Frederic Crepe	4	Feb. 15	...	9 1/2	Timpson (Wm.)	15	...	...	15
Bogwanalawa Tea	3*	...	...	3*	Gen. Cons. Invest. Tr.	5*	7	...	7	Tin Investment	2 1/2*	Mar. 15	...	2 1/2*
Gedong (Perak) Rub.	2 1/2	...	...	5	Gloucester Rly. Carr.	5*	...	...	4	Traford Park Est.	3*	...	...	3*
Kuala Kangsar Ptns.	3 1/2	5 1/2	...	15	Gov. Stk. & Other Sct.	(a) 25 1/2	(a) 40	...	40	Trojan (Holdings)	10*	Mar. 1	...	10*
MINING					G.R.A. Trust	2 1/2*	...	...	4*	Vaughan Bros.	5*	...	...	5*
Berali Tin, etc.	5*	...	...	5*	Head Wrightson & Co.	4*	...	...	4*	Wilkinson & Riddell ..	5*	...	...	5*
East Indian Coal	15*	...	...	15*	Holborn Viaduct Land ..	4*	...	...	4*	Woolley Sanders & Co. ..	5*	...	...	5*
Siamese Tin	5*	...	...	5*	Hollychome Bricks	4*	...	...	4*	Wright's Ropes	5*	...	...	5*
Wankie Colliery	2 1/2*	...	...	6*	Larkins (S. C.) & Sons ..	83 1/2	12 1/2	...	13 1/2	Yorkshire Elec. Power ..	5*	...	...	5*
INDUSTRIALS					Law Deb. Corp.	10 1/2	14	...	13 1/2					
Astd. London Prpts.	2*	...	...	2*	Founders	10 1/2	14	...	13 1/2					
Barratt (W.)	4 1/2*	...	...	4*	Loveys (John) & Co.	3	Feb. 3	...	2 1/2					
Bolton (Thos.) & Sons ..	2 1/2*	...	...	2 1/2*	Lunt (Richard)	7 1/2	12 1/2	...	13 1/2					
Brewery Unit Trust	3 1/2	250d	...	...										
British Piston Ring	5*	...	...	7 1/2*										

* Free of tax. (a) Paid on a larger capital. (b) Paid on smaller capital. (c) For half-year. (d) Paid on £396,000 capital. (e) 6 per cent. paid free of tax. (f) Paid on £297,000 capital.

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					Correspondir Period Last Year	
					Dividend			Carried to Reserve, Deprecia-tion, etc.	Balance Forward	Net Profit	Divi den
					Prefce. Amount	Ordinary Amount	Rate				
		£	£	£	£	£	%	£	£	£	%
Banks											
Bank of Ireland	Dec. 31	126,988	379,821	506,809	...	289,730	13½	75,000	142,079	390,749	13
Belfast Banking	Dec. 31	55,707	103,929	159,636	...	63,800	(b)	...	95,836	106,718	(b)
Clydesdale Bank	Dec. 31	91,173	316,941	408,114	...	208,000	16	105,000	95,114	320,250	16
District Bank	Dec. 31	285,611	508,808	794,419	...	376,525	18½ & 10	130,000	287,894	519,255	17½
Hibernian Bank	Dec. 31	27,454	37,900	65,354	...	30,000	12pa	5,000	30,354	*40,468	12½
Isle of Man Bank	Dec. 31	11,358	30,647	42,005	...	18,000	12/- ps	12,000	12,005	30,870	12½
Lloyds Bank	Dec. 31	524,704	1,705,301	2,230,005	...	1,250,447 "A" 12½	5	400,000	527,456	1,832,501	{ A B
Midland Bank	Dec. 31	591,044	2,445,671	3,036,715	...	52,102 "B" 5	16	650,000	628,315	2,508,009	16
Munster and Leinster	Dec. 31*	45,218	68,507	113,725	...	1,758,400	12½	25,000	43,725	70,684	12½
Northern Bank	Dec. 31	68,738	79,813	148,551	...	45,000	10½ & 5½	31,500	69,473	82,251	11½ & 5½
The National Bank	Dec. 31*	40,610	104,348	144,958	...	47,578	12	12,500	42,458	109,686	12
National Discount Co.	Dec. 31	216,762	195,203	411,965	...	90,000	10 & 26	55,000	217,572	188,961	10 & 2
National Provincial Bank ..	Dec. 31	573,715	1,771,785	2,345,500	...	139,393	15	350,000	573,588	1,874,960	15
Provincial Bank of Ireland ...	Dec. 31*	40,171	37,544	77,715	...	1,421,912	12½	13,000	40,246	38,087	12½
Ulster Bank	Dec. 31	78,344	179,954	258,298	...	24,469	14½	50,000	68,298	183,873	14½
Union Discount Co. of Lndn	Dec. 31	203,264	261,158	464,422	...	140,000	18 & 12½	15,000	250,407	250,538	10
Westminster Bank	Dec. 31	496,018	1,557,161	2,053,179	...	199,375	10 & 12½	400,000	526,584	1,750,590	20 & 12½
Williams Deacon's Bank ...	Dec. 31	148,592	301,418	450,010	...	1,126,595	12½	130,000	85,635	310,921	12½
Canals and Docks						234,375	7½	30,000	31,467	148,852	7
Smith's Dock Company	Sept. 30	27,025	92,442	119,467	3,625	54,375	6	...	2,112	10,736	6
Financial, Land, etc.						3,526	10	15,000	18,751	24,224	10
Aldford House (Park Lane)	Dec. 24	1,705	9,933	11,638	6,000	12,000	...	4,397	6,407	13,917	Nil
Blantyre and East Africa	Sept. 30	11,030	35,181	46,211	460	...	10	...	...	...	...
Central and Dist. Prpts.	Oct. 31	8,042	8,867	16,909	6,105	...	...	...	...	...	...
Davenports C.B. & Brewery Holdings	Oct. 31	20,066	69,246	89,312	7,250	36,250	14	693	45,812	50,555	10
Land Debenture Corp.	Dec. 31	...	47,944	47,944	7,250	{ 30,450 } { 119,551 }	14	...	...	61,045	14
London & Westcliff Prpts....	Sept. 30	8,635	12,044	20,679	8,800	5,220	6	...	6,659	21,907	6
Northern Corporation	Dec. 31	6,185	17,494	23,679	10,000	4,000	16	2,500	7,179	17,407	16
Trans. & Delagoa Bay Invt.	Aug. 31	173,924	120,825	294,749	...	90,187	32½ (c)	15,000	189,562	120,141	32½ (c)
Motor, Cycle and Aviation											
Leyland Motors	Sept. 30	84,470	745,635	830,105	49,482	163,125	25	479,514	137,984	726,010	25
Rubber											
Escot	Sept. 30	2,021	14,038	16,059	...	9,695	6	3,800	2,564	17,977	7½
Sedenak	Oct. 31	11,238	17,892	29,130	...	12,629	4	5,000	11,501	43,048	12
Shops and Stores											
Stead & Simpson	Dec. 31	109,775	38,074	147,849	11,448	14,000	10	2,000	120,401	38,958	10
Timpon (William), Ltd. ...	Dec. 31	4,670	101,996	106,666	19,077	54,375	15	30,000	3,214	116,524	15
Woolworth (F. W.) and Co.	Dec. 31	4,500,925	4,929,396	9,430,321	217,500	3,534,375	65	210,000	5,468,446	4,792,947	60
Tramways and Omnibus											
National Omnibus, etc.	Dec. 31	30,443	127,872	158,315	17,500	100,000	8½	10,000	30,815	109,566	8½
Trusts											
Debenture Corporation	Dec. 31	66,820	125,215	192,035	36,250	72,500	10	15,000	68,285	132,647	10
Gen. Consol. Inv. Tr.	Dec. 31	25,245	43,899	69,144	14,188	20,300	7	10,000	24,656	49,134	7
Govts. Stk. and other Secs.	Dec. 31	...	45,556	45,556	24,281	23,504	4	Dr. 2,229	...	41,892	4
London Stockholders	Dec. 31	9,917	18,508	28,425	9,900	8,100	3	158	10,267	22,123	3½
R. Plate and Gen. Invest. ...	Dec. 31	51,030	47,993	99,023	12,375	27,500	10	7,500	51,648	49,840	11
Sec. Scottish United Invtstrs.	Dec. 15	12,390	21,304	33,694	16,500	3,300	1½	...	13,894	28,582	2½
Third Scottish Nthn. Invest.	Dec. 15	8,130	17,366	25,496	16,570	...	...	...	8,926	18,988	Nil
Other Companies											
Bletchley Flettons	Oct. 31	1,865	4,715	6,580	...	...	...	3,500	3,080	6,851	Nil
British Cavity Brick	Sept. 30	13,449	4,852	18,301	...	...	...	4,300	14,001	7,637	Nil
Crossley (John) and Sons....	Dec. 3	14,378	Dr. 46,928	Dr. 32,550	29,699	...	...	Dr. 64,060	1,811	59,586	7½
Crown Flour Mills	Sept. 30	11,188	(e) Dr. 7477	3,711	...	...	...	...	3,711	(a)	(a)
Dixor, Ltd.	Dec. 31	1,530	25,284	26,814	g 11,501	9,063	50	1,552	4,698	28,624	37½
Goorwitch, Ltd.	Aug. 31	...	15,906	15,906	3,203	5,006	7	5,161	2,536	(a)	(a)
Millar (A.) and Company ...	Oct. 31	6,786	5,386	12,172	2,325	3,100	4	...	6,747	5,447	4
Mills and Rockley	Oct. 31	17,663	50,642	68,305	20,625	19,464	(d)	12,008	16,208	49,302	49-69
Pratt (J.) Alfred and Co. ...	Oct. 31	15,908	18,155	34,063	7,500	6,000	5	4,375	16,188	27,956	8½
Rogers (R. H. and S.)	Oct. 31	6,564	12,158	18,722	3,750	11,250	12½	...	3,722	15,013	12½
Weber (L. & J.) and Phillips	Dec. 31	9,866	6,284	16,150	...	6,510	3½	...	9,640	10,786	6
Whitaker (B.) and Sons	Sept. 30	18,930	10,593	29,523	3,750	...	...	...	25,773	8,626	Nil
Total Profits, 1939, in £'000's	No. of Cos	1,130	5,098	6,228	690	3,344	...	1,007	1,187	6,118	...
To January 14	41	6,411	11,898	18,309	1,264	7,689	...	1,807	7,549	12,994	...
To January 21	75										

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1938		Prices, Year 1939 Jan. 1 to Jan. 18 inclusive		Name of Security	Price, Jan. 18, 1939	Change since Jan. 1, 1939	Yield Jan. 18, 1939	Prices, Year 1939 Jan. 1 to Jan. 18 inclusive		Last Two Dividends	Name of Security	Price, Jan. 18, 1939	Change since Jan. 1, 1939	Yield Jan. 18, 1939
High-est	Low-est	High-est	Low-est					High-est	Low-est					
79 1/4	64	71 1/8	69 3/4	British Funds	70 1/4	-1 1/2	3 1/2	32 1/2	28 1/2	6 c	Brit. Overseas A £5	30/-	...	Nil
111 3/4	98	105 1/2	104	Consols 2 1/2% (1957-70)	105	-1 1/2	3 1/2	32 1/2	28 1/2	7 1/2	Chtd. of India £5	9	-1 1/4	Nil
100 3/4	90	95 1/2	94 3/4	Conv. 2 1/2% 1944-49	98	-1 1/2	3 1/2	12 1/2	11 1/2	3 1/4	Com. Bk. of Aus. 10/-	12 1/2	...	4 1/2
103 1/4	92	98 1/2	97 3/4	Do. 3% 1948-53	98	-1 1/2	3 1/2	52 1/2	51 1/2	5 1/2	Dist. B. £1 fy pd.	107 3/4	...	3 1/2
104 1/4	90 1/2	99 1/4	97 1/2	Do. 3 1/2% after 1961	98 1/4	-1 1/2	3 1/2	75 1/2	68 1/2	3 1/2	Hambro & Aust. £3 1/2 p.	70/-	-5/-	6 0 0
105 1/4	100	103 1/4	102 1/2	Do. 4 1/2% 1940-60	102 1/4	-1 1/2	3 1/2	10 1/4	10 1/4	8 1/2	Hongkong & Aust. £2 1/2 p.	10	...	4 10 0
115 1/4	102	109 1/4	108 1/2	Do. 5% 1944-64	109 1/4	-1 1/2	3 1/2	63 1/2	£82 1/4	£2 1/2	Lloyds £5, £1 pd.	£83 1/2	-£4	4 6 0
91 1/4	81	87	86 1/4	Fund. 2 1/2% 1956-61	86 1/2	-1 1/2	3 1/2	59 1/4	56 1/2	6 1/2	Martins £20, £2 1/2 pd.	57 1/2	+1 1/8	4 6 0
97 1/4	88 1/2	92 3/4	91 3/4	Fund. 2 1/2% 1952-57	92	-1 1/2	3 1/2	85 1/8	75 1/8	7 1/2	Midland £1, fy. pd.	81 1/4	...	4 8 0
99 1/4	90	94 1/4	93 3/4	Fund. 3% 1959-69	94 1/4	-1 1/2	3 1/2	86 1/2	82 1/2	8 1/2	Nat. Dis. £2 1/2 fy. pd.	5 1/2	...	4 11 0
114 1/4	98	108 1/4	106 1/2	Fund. 4% 1960-90	107 3/4	-1 1/2	3 1/2	54 1/2	53 1/2	5 1/2	N. of Ind. Egypt £10	30 1/2	+1 1/2	4 18 0
101 1/4	90	97 1/4	97 1/4	Nat. D. 2 1/2% 1944-48	97 1/4	-1 1/2	3 1/2	29 1/2	29 1/2	11 1/4	N. Prov. £1, £1 1/2 pd.	33 1/2	+1 1/8	6 5 0
100 1/4	93	95 3/4	97 1/4	Victory Bonds 4%	95 1/4	-1 1/2	3 1/2	34 1/2	32 1/2	9 1/2	Roy. Bk. of Scotland	31 3/4	+1 1/4	4 5 9
112 1/4	100	107 1/2	106 3/4	War L. 3 1/2% af. 1952	107	-1 1/2	3 1/2	70 1/9	68 1/3	7 1/2	St. S.A. £20, £5 pd.	45 3/4	-1 1/4	3 15 0
103 1/4	90 1/2	98 1/2	97	Local Loans 3%	97 3/4	-1 1/2	3 1/2	455	448	8 1/2	Union Dist. £1	42 1/2	...	4 1 0
90 1/4	78	83 1/4	82 1/2	Austria 3% 1933-53	83	-1 1/2	3 1/2	15 1/8	14 3/4	10 1/2	West. £4, £1 pd.	89 1/2	+1/-	4 0 0
102 1/4	90 1/2	99	97 1/2	India 2 1/2%	98	-1 1/2	3 1/2	45 1/4	41 1/2	3 1/4				
68 1/4	56	64	62 1/4	Do. 3%	63 1/4	-1 1/2	3 1/2	9 1/9	8 7/8	9 1/2				
82 1/4	68	76	75 1/4	Do. 3 1/2%	75 1/2	-1 1/2	3 1/2	19 1/9	17 1/2	9 1/2				
95 1/4	75	89	88 1/2	Do. 4 1/2%	89 1/2	-1 1/2	3 1/2	3 1/9	3 1/8	9 1/2				
117 1/4	110	115 1/4	114 1/4	Dom. & Col. Govts.	115	-1 1/2	3 1/2	26 1/8	25 1/2	50 b	Alliance £1, fully pd.	26	+1 1/4	3 8 0
108 1/4	97	103	102	Austr. 5% 1945-75	102	-1 1/2	3 1/2	9 1/8	9 1/2	14 1/2	Atlas £5, £1 1/4 pd.	14	...	2 18 0
104 1/4	97	103 1/4	102	Canada 4% 1940-60	102	-1 1/2	3 1/2	95 1/2	91 1/2	21 1/2	Com. Un. £1, fy. pd.	91 1/4	...	3 8 0
105 1/4	102	109 1/4	108 1/2	Nigeria 5% 1950-60	112	-1 1/2	3 1/2	20 1/2	19 1/2	1 1/2	Gen. Acc. £1, 5/- pd.	45 1/2	...	3 15 0
107 1/4	95	103 1/4	101 1/2	N. Zealand 4% 1946	99 1/2	-1 1/2	3 1/2	10 1/4	9 1/2	2 1/2	Rio. and Lanc. £5, £2 pd.	26 1/2	-1 1/2	3 15 0
112 1/4	97	108 1/4	107 1/2	Q. Zealand 5% 1946	101 1/2	-1 1/2	3 1/2	19 1/8	19	130 b	Pearl & Mer. £1 1/4 f.p.	10 1/2	...	2 19 0
96 1/4	78	85	81	S. Africa 5% 1945-75	108	-1 1/2	3 1/2	35 1/2	34 1/2	6 1/2	Phonics £1, fy. pd.	19	...	2 19 0
102 1/4	83	90 1/4	89 1/4	Foreign Governments	82	-2	5 9 9	93 1/2	89 1/2	150 c	Prudential £1, pd.	15	-1 1/4	4 0 0
102 1/4	23	40 1/2	36 1/4	Arg. 4 1/2% Stg. Bds.	36 1/2	-1	11 9 0	91 1/2	85 1/2	11 1/2	Do. £1, with 4s. pd.	90 1/2	-2 1/2	2 5 0
99 1/4	80	89 1/2	88 1/2	Austria 1930-55	56	-2	9 9 2	17 1/2	16 1/2	6 1/2	Royal Exchange £1	91 1/2	-1 1/8	4 0 0
36 1/4	31	31	25	Do. 4 1/2% 1934-59	90	-2	4 12 4	83 1/2	80 1/2	1 1/3	St. S.A. £20, £1 pd.	17	...	3 16 0
37 1/2	12 3/4	14 3/4	12 1/2	Belgian 4 1/2% 1970	26 1/2	-1 1/2	3 1/2	8	7 3/8	10 1/2	Sun. Lf. Ass., £1 fy. pd.	82 1/2	...	3 6 0
19 1/4	14	16 1/2	14 3/4	Brazil 5% (1914-18)	14	+1 1/2	12 14 0	230	225	8 b				
60 1/4	37	37 1/2	28	Chile 6% (1929)	16	-1 1/2	15 17 9	47 1/2	45 1/2	3 1/2	Anglo-Amer. Deb. ...	230	...	5 4 0
73 1/4	40	55 1/4	44	China 5% (1912)	45	-7 1/2	12 1 3/4	11 1/3	9 1/3	10 1/2	Anglo-Celtic Ord. ...	47 1/2	...	7 7 0
105 1/4	102	109 1/4	108 1/2	Do. 5% (1913)	112	-1 1/2	16 16 0	21 1/2	21 1/2	4 1/2	Brit. Assets Trust 5/-	21 1/2	...	5 0 0
104 1/4	84 1/2	85 1/4	81	Czechoslovakia 8%	84	+1 1/2	4 15 3	60 1/2	59 1/2	3 1/2	For. Amer. Sec., Def.	59 1/2	...	4 16 2
13 1/4	9 1/4	12 1/2	12	Egypt Unified 4%	84	+1 1/2	5 8 6	117 1/2	117 1/2	4 1/2	Guardian Investment Corp.	117 1/2	...	7 11 6
46 1/4	15	33 1/4	26 1/4	French 4% (British)	12 1/2	-1 1/2	13 10 3	226	223	8 1/2	Ind. and Gen. Ord.	22 1/2	...	5 19 2
34 1/4	25	29 1/2	26 1/2	Ger. Dawes Ln. 5%	37	-3	14 15 0	223	223	8 1/2	Invest. Trust Def.	223	...	5 7 0
58 1/4	20	33 1/4	26 1/4	Do. Young Ln. 4 1/2%	28	-1	14 15 3	13 1/2	13 1/2	2 1/2	Lake View Inv. 10/-	14 1/2	...	5 16 7
64 1/4	38	52	49 1/2	Greek 6% Stab. Ln.	28	-1	11 19 3	118 1/2	118 1/2	4 1/2	Merch. Invest. Inv.	235	...	5 2 2
50 1/4	35	43 1/2	43 1/4	Hungary 7 1/2%	30 1/2	-1	9 4 0	217 1/2	217 1/2	5 1/2	Metropolitan Trust Ord.	118 1/2	...	6 6 7
75 1/4	54	65	50	Japan, 5 1/2% 1936-65	46 1/2	-2	14 0 0	3 1/9	3 1/9	4 c	Scottish Inv. 5/-	217 1/2	...	5 10 4
15 1/4	9 1/4	12 1/2	12	Peru 7 1/2% 1922	43 1/2	-1	16 16 0	168 1/2	160 1/2	6 1/2	Scottish Mort., &c.	160 1/2	...	5 6 9
92 1/4	75	79	77	Poland 7%	50	-15	16 16 0	192 1/2	170 1/2	9 b	Trustees Corp. Ord.	190 1/2	...	5 18 5
115 1/4	101	111 1/2	111	Roum. 4% Con. 1922	9 1/2	-2	3 17 11	177 1/2	176 1/2	6 1/2	United States Deb.	176 1/2	...	5 13 4
117 1/4	104 1/2	113 1/4	113	U.K. & Arg. C. 3%	77	-2	3 6 6							
87 1/4	75	81 1/4	80	Corporation Stocks	111 1/2	...	3 6 6							
97 1/4	90 1/2	93 1/4	93	Brit. Ham 5% 1946-56	113	...	3 6 1							
105 1/4	94 1/2	102 1/4	101 1/2	Brit. 5% 1948-58	81	...	3 14 1	27 1/2	24 1/2	10 c	Financial Trusts, &c.			
				L.C.C. 3% 1954-64	93	...	3 12 6	13 1/9	12 10 1/2	10 c	Brit. S. Afr. 15/- fy. pd.	24 1/9	-2 1/6	8 0 0
				Middx. 3 1/2% 1957-62	101 1/2	-1 1/2	3 8 6	13 1/9	12 1/9	2 b	Charterhouse Inv. £1	13 1/9	...	4 7 2
								24 1/2	23 1/2	12 1/2	C. of Lond. R. Pty. £1	13 1/9	...	5 16 0
								51 1/4	48 1/8	3 a	Daily Mail & Gen. £1	13 1/9	...	7 10 0
								18 1/2	16 1/8	3 a	Dalgety £20 £5 pd.	51 1/4	-6d	5 14 3
								22 10 1/2	21 1/6	Nil c	Forestal Land £1	18/-	-1 1/2	10 9 0
								16 1/3	14 1/9	5 b	Hudson's Bay Co. £1	22/-	-6d	9 0 0
								2 1/2	2 1/2	Nil	Peru Corp. Pref.	15/-	-7 1/2d	9 6 9
								10 3/3	8 1/6	3 1/2 c	Primitive Hold. £1	24	...	Nil
								31/-	28 7/8	12 1/2 c	Sudan Plant. £1	29 1/4	-6d	7 14 3
111 3/4	110 1/2	21 1/2	21 1/2	Public Bonds	110 1/2	...	3 16 3	65 1/6	62 1/6	5 a	Breweries, &c.			
112 1/4	110	21 1/4	21 1/4	C. Elec. 5% 1950-70	110 1/2	-1	4 2 0	23 1/6	22 1/2	5 1/2 b	Ansell's Brewery £1	64 1/9	...	5 8 6
121	118 3/4	24 1/4	24 1/4	Lon. Pass. Transport	118 1/2	-1	4 2 6	116 1/6	110 1/2	a 5 1/2	Barclay Perkins £1	23 1/2	...	6 9 0
117 1/2	115	21 1/2	21 1/2	4 1/2% "A" 1985-2023	115 1/2	-1	4 2 0	61 1/6	58 1/6	12 b	Bass & Charringtons £1	111 1/3	...	6 9 0
7 1/4	7 1/4	1 1/2 a	1 1/2 a	5% "B" 1965-2023...	74	-1	5 8 0	66 1/4	65 1/2	14 b	Charringtons & Co. £1	58 1/9	-1 1/3	5 2 2
7 1/4	84 1/2	1 1/2	1 1/2	4% "C" 1956 or after...	85	-1	3 11 0	89 7/12	87 1/6	15 b	Courage Ord. & Co.	65 1/2	-1 1/2	6 3 0
114	113 3/4	2 1/2	2 1/2	Met. W.B. "B" 3% P. of Lon. 5% 50-70	114	...	3 10 10	106 1/2	101 1/2	12 a	Distillers Ord. £1	89 1/2	+3d	5 0 9
								72 1/2	71 1/2	20 b	Guinness Ord. £1	102 1/2	-3d	5 12 0
								73 1/6	71 1/2	3 1/2 a	Ind. Coope & All. £1	73 1/9	...	6 16 6
								63 1/2	61 1/4	4 a	Meux's Ord. £1	31 1/9	-6d	5 15 0
								33 1/6	31 1/9	6 a	Mitchells & Butlers £1	72 1/2	-1 1/2	5 16 6
								60 1/2	58 1/6	6 a	Simonds (H.&G.) £1	62 1/2	-1 1/2	5 15 6
											Taylor Water Ord. £1	31 1/9	-1 1/2	6 4 0
											Watney Combe Def. £1	58 1/9	-1 1/2	6 1 3
28 1/4	24 1/4	3 1/2 b	Nil a	British Railways	25	...	14 0 0	19 1/2	17 1/6	6 b	Iron, Coal and Steel			
2 1/2	2	Nil	Nil	G.W. Ord.	24 1/4	-1 1/8	Nil	38 1/6	37 1/6	10 b	Allied Ironfound. £1	18 1/9	-7 1/2d	10 13 4
4 1/2	3 3/4	3 1/2 b	Nil	L. & N.E.R. Def.	4	-1 1/4	Nil	61 1/6	58 1/6	10 b	Babcock Wilcox £1	37 1/6	...	6 8 8
11 1/2	9 1/4	3 1/2 c	Nil a	Do. 5% Pref. Ord.	44 1/2	-1	8 8 6 1/2	38 1/9	37 1/6	10 b	Baldwins £1	5 1/9	-3d	7 0 0
28 1/4	22 1/2	3 1/2 c	Nil a	Do. 5% Pref. 1955	10	-1 1/2	17 10 0	38 1/9	37 1/6	10 b	Bolswor Co. Ord. £1	37 1/6	-7 1/2d	7 4 0
12 1/4	11 1/2	1 1/2 c	Nil a	Do. 4% 1st Pf.	12	-1 1/4	12 15 4	27 1/6	26 1/6	11 1/2 a	Burterley Co. Ord. 10/-	29 1/6	-1 1/3	5 19 0
30 1/2	24 1/2	2 b	Nil a	Do. 4% 2nd Pf.	25	-2 1/2	8 0 0	8 1/2	8 1/2	8 1/2	Cammell Laird £1	26 10 1/2	...	5 11 6 1/2
5 1/4	4 1/2	2 a	2 a	L.M										

Year 1939 Jan. 1 to inclusive				Last Two Dividends		Name of Security	Price, Jan. 18, 1939	Change since Jan. 1, 1939	Yield Jan. 18, 1939	Year 1939 Jan. 1 to inclusive				Last Two Dividends		Name of Security	Price, Jan. 18, 1939	Change since Jan. 1, 1939	Yield Jan. 18, 1939
High- est	Low- est	(a) %	(b) %	(c) %	High- est					Low- est	(a) %	(b) %	(c) %						
42/6	39/3	Nil	8 c			Iron, Coal, &c.—cont.	39/4 1/2	1/10	£ s. d.	62 3/32	61 3/32	20 b	7 1/2 a	Gallaher Ltd. Ord. £1	61 1/16	— 1/8	£ s. d.		
275 1/4	267 7/8	1 c	Nil c			Thornycroft, John £11	269 1/2	— 1/2	4 Nil	4/5	3/10 1/2	Nil c	Nil c	Gaumont-Brit. 10/-	44 1/2	— 4 1/2	4 2 3		
23 1/4	21 3/4	10 c	7 b			U. States Steel Ord. £	21 1/9	— 1/2	9 0 0	2/5	10 1/2	Nil c	Nil c	Gen. Refract's 10/-	10 3/4	— 1/3	15 12 2		
23 1/2	22 1/2	10 c	12 1/2 c			Vickers 10/-	22 1/6	— 11 2 3	85/-	79 4 1/2	5	25 b	6 b	Gestetner (D) 5/-	25 1/2	—	8 0 0		
41 1/4	40 1/2	22 1/2 b	12 1/2 a			Ward (Thos. W.) £1	45 1/8	— 7 10 0	5/3	57 9	13 1/2 b	5	20 b	Harrisons & Cros. Dr. £1	85 1/2	—	6 6 0		
61 3/4	60 1/2	15 c	20 c			Whitehead I. & S. £1	60 1/2	— 1/3	6 13 3	25 1/12	21 9	15 a	27 1/2 b	Hawker Siddeley (5/-)	22 1/6	— 1/10	9 8 10		
						Yarrow & Co. £1				28 1/9	27 6	9 c	7 c	Imp. Airways £1	28 9	—	4 17 5		
										31 1/12	29 7 1/2	5 1/2 b	3 c	Imp. Chem. Ord. £1	30 1/2	—	5 13 4		
										12 1/2	6 13 1/2	5 c	Nil c	Imp. Smelting £1	10 1/2	— 1/3	Nil		
										160 1/2	555 1/2	17 1/2 b	17 1/2 a	Imp. Tobacco £1	6 1/2	—	3 19 0		
										6 1/6	10 4 1/2	10 c	8 1/2	Inter. Nickel n.p.	57 1/2	— 1/2	3 10 2		
										37 1/2	33 1/2	6 b	4 a	Intercontinental Tea 5/-	10 1/2	—	4 13 0		
										17 1/6	16 3/10	10 c	Nil a	Leaver & Unilever £1	33 1/9	— 2/6	5 18 6		
										47 1/2	45 1/2	22 1/2 c	20 c	Lon. & Th. Oil Wh. £1	16 3/4	—	12 6 2		
										55 5/8	52 9	14 1/2 b	8 1/2	London Brick £1	46 3/4	— 7 1/2	8 12 11		
										75 7 1/2	71 10 1/2	27 1/2 b	15 a	Lyons (J.) Ord. £1	51 1/8	—	4 6 6		
										33 1/2	32 6	98 1/2	12 1/2 a	Marks & Spen. A/5/-	54 1/2	— 1/10	3 18 0		
										24 1 1/2	23 3/4	10 c	7 1/2 a	Murex £1 Ord.	73 1 1/2	— 7 1/2	5 8 9		
										35 1/2	34 1/2	12 1/2 a	37 1/2 b	Phillips (Godfrey) £1	23 1/2	—	7 2 0		
										52 5 1/4	50 6	11 1/8 b	3 1/4 a	Pinchin Johnson £1	7 1/4	— 1/3	7 4 0		
										17 1 1/2	16 4 1/2	3	14 b	Radiation Ord. £1	51 3/4	— 1/3	5 17 0		
										9 10 1/2	9 1/2	22 1/2 c	22 1/2 c	Ranks Ord. 5/-	16 9	—	5 1 0		
										6 8 7 1/2	6 7 1/2	22 1/2 c	4 a	Reckitt & Sons Ord. £1	58 1/8	—	4 8 0		
										58 9	57 1/2	12 1/2 b	21 1/2 a	Sears (J.) Ord. 5/-	9 1/2	— 3d	8 8 0		
										27 1/9	27 9	Nil	Nil	Smithfield & Arg. Mt. £1	9 1/2	—	8 16 0		
										59 1 1/2	55 4 1/2	4 1/4 a	14 b	Spillers Ord. £1	57 1/6	— 7 1/2	Nil		
										43 1 1/2	42 3/4	5 b	5 b	Swed. Match. Bkr. 25	28 1 1/2	— 1/3	Nil		
										63 1 1/2	63 1 1/2	11 b	5 b	Tate and Lyle £1	58 1 1/2	— 1/3	?		
										31 9	30 1 1/2	23 1/2 b	23 1/2 b	Tilling, Thos. £1	43 1 1/2	—	4 13 0		
										86 9	85 1 1/2	10 c	13 1/2 a	Tob. Secs. Ord. £1	63 9	—	5 1 0		
										78 3	74 9	34 a	16 1/2 b	Tob. Securities, G. 10/-	28 9	— 1 10 1/2	8 14 0		
										53 1 1/2	51 6	5	7 1/2 b	Tube Invest. Ord. £1	50 1/2	— 1/3	5 12 6		
										22 6	21 4 1/2	7 1/2 a	15 b	Turner & Newall £1	75 7 1/2	—	4 14 0		
										33 3	31 3	5	7 1/2 b	United Dairies £1	52 1/2	— 7 1/2	4 14 0		
										38 6	37 10 1/2	7 b	3 a	United Molasses 6/8.	22 6	—	6 13 3		
										60 3	57 10 1/2	15 a	50 b	Willpapr Mrs. Def. £1	31 10 1/2	— 7 1/2	7 16 0		
										84 1/2	81 10 1/2	95 c	95 c	Wiggin's, Teape Ord. £1	37 9	— 3d	5 5 3		
										9 7	8 4 1/2	p6 a	p4 b	Woolworth Ord. 5/-	60 1/2	—	5 12 6		
										67 1/6	62 6	61 1/4 a	13 1/2 b						
										16 1/4	15 1/2	95 c	95 b	Ashanti Goldfields 4/-	82 1/6	— 1/3	4 12 0		
										48 1/4	46 1/2	30 c	Nil b	Burma Corp. Rs. 9/-	8 6	— 3d	9 4 0		
										41 1/2	39 1/2	11 1/4 a	11 1/4 a	Cons. Glads. of S. Af. £1	63 9	— 3 1/2	6 6 6		
										12 1/2 b	10 1 1/2	25 a	37 1/2 b	Crown Mines 10/-	15 1/2	— 5/8	6 2 0		
										14 1/4	14	Nil	Nil	De Beers (Def.) £2 1/2	78 1/8	— 8/8	9 0 0		
										17 1/2	16 1/2	10 a	10 b	Imperial Cons. £1	43 9	— 3/10	9 16 3		
										12 1/2 b	11 1/8	75 c	75 b	Io. burg. Cons. £1	37 1/6	— 1/12	12 0 0		
										8 1/8	7 1/8	6 1/2 b	2 1/2 a	Rhokona Corp. £1	10 1/4	—	5 15 0		
										69 1/8	59 1/2	Nil	Nil	Rio Tinto £5	14	—	3 Nil		
										13 1/2	10 7 1/2	10 c	Nil c	Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
														Rio Tinto £5	14	—	3 Nil		
				</															

Industry and Trade

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)				
District	Week ended	Jan.-December	1937	1938
Northumberland	233.6	219.2	14,365.5	13,437.3
Durham	504.5	525.7	33,550.5	31,533.5
Yorkshire	483.0	827.4	45,384.7	42,598.8
Lancs, Cheshire and N. Wales	223.8	298.1	17,743.3	17,040.5
Derby, Notts & Leicester	436.7	707.0	33,863.8	32,160.0
Staffs, Worcs, Salop. and Warwick	224.1	410.9	20,203.2	19,586.9
South Wales & Monmouth	397.4	772.1	38,245.5	35,901.1
Other English districts	61.2	106.8	5,564.2	5,477.0
Scotland	593.3	367.9	32,261.3	30,479.1
Total	3,157.6	4,235.1	24,118.2	22,821.4

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended	Total Deliveries
	Jan. 6, 1939	Jan. 13, 1939
American	18.1	21.3
Brazilian	5.7	7.9
Peruvian, etc.	2.2	3.0
Egyptian	8.6	6.5
Sudan Sakel	1.8	2.9
East Indian	4.0	4.5
Other countries	2.6	5.8
Total	43.0	51.9

Metals

SALES ON LONDON METAL EXCHANGE

	Week ending	From Jan. 1 to Jan. 18, 1939
	Jan. 11, 1939	Jan. 18, 1939
Copper	7,600	7,450
Tin	1,240	1,690
Lead	6,700	5,150
Spelter	3,400	4,625

U.K. STOCKS

	Jan. 7, 1939	Jan. 14, 1939
Copper (Br. official w'houses)	5,976	5,692
Refined	25,429	25,304
Tin (London and Liverpool)	9,686	10,143

METALS—(cont.)

TINPLATE INDUSTRY

	Week ended	Jan. 7, 1939	Jan. 14, 1939
Production—per cent. of capacity	60.00	34.83	
Shipments	5,716	2,010	5,949
Stocks (warehouse and in vans)	5,346	5,675	3,890

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

	Week ended	Season to
	Jan. 13, 1939	Jan. 12, 1939
From—		
N. America	501	597
Argentina and Uruguay	75	211
Australia	102	272
Russia	48	272
Danube and dist.	144	291
India	33	46
Other Countries	33	46
Total	903	1,417
To—		
U.K.	193	468
"Orders"	129	338
France	25	23
Belgium	36	104
Holland	52	98
Italy	10	23
Greece	51	39
Scandinavia	23	39
Other European Countries	93	74
Ex-European Countries	291	250
Total	903	1,417

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL ('000 quarters)

	Week ended	From Apr. 1 to Jan. 14, 1939
	Jan. 13, 1939	Jan. 14, 1939
From		
Argentina	242	113
Atlantic America	212	294
Danube Region	15	66
S. & E. Africa	8	4
Indo-China, etc.	87	65
Total	564	542

OTHER FOODS

	Week ended	Jan. 14, 1939
	Jan. 7, 1939	Jan. 14, 1939
BACON:		
Arrivals in London (bales):		
Danish	10,265	11,472
Canadian	6,206	5,762
Dutch	2,691	4,303
Lithuanian	1,844	1,801
Polish	2,923	
COCOA:		
Movement in Lond. (bags):		
Landed	4,474	4,136
D/d for home consumption	9,831	9,634
Exports	9,645	279
Stocks, end of week	137,572	131,795

OTHER FOODS—(cont.)

	Week ended	Jan. 14, 1939
	Jan. 7, 1939	Jan. 14, 1939
COFFEES:		
Movements in Lond. (cwt.):		
Brazilian—Landed	1	517
" D/d for home consn.	62	167
" Exports	4	10
Stocks, end of week	3,394	3,742
Central and S. American:		
Landed	824	1,455
D/d for home consn.	2,100	3,018
Exports	235	272
Stocks, end of week	56,033	54,198
Other kinds—Landed	1,209	9,103
" D/d for home consn.	2,964	3,217
" Exports	168	553
Stocks, end of week	47,527	52,860
MEAT:		
Supplies at Smithfield (tons):		
Total	9,728	10,168
Beef and veal	4,972	4,990
Mutton and lamb	2,922	3,140
Pork and bacon	965	974
Poultry, etc.	869	1,064
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	5,505	6,381
Deliveries	14,290	12,794
Stocks, end of week	264,998	256,792
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	44,502	44,369
S. India	7,271	8,027
Ceylon	24,643	22,014
Java	5,527	4,761
Sumatra	1,175	1,016
Africa	1,769	1,416
Total	84,887	81,603

Miscellaneous Commodities

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	Jan. 14, 1939
	Jan. 7, 1939	Jan. 14, 1939
Landed	1,263	741
Delivered	1,746	3,535
Stocks, end of week	86,205	83,411

WORLD SHIPMENTS OF LINSEED ('000 tons)

	Week ended	From Jan. 1 to Jan. 14, 1939
	Dec. 31, 1938	Jan. 7, 1939
From		
Argentina to—		
U.K. and Orders	11.4	22.8
Continent	25.5	4.7
U.S.A. and Canada	19.3	8.1
Australia, Brazil, etc.	0.1	...
Calcutta to—		
U.K. and Orders	1.7	1.0
Continent	...	...
Bombay to—		
U.K. and Orders	8.4	3.9
Continent	...	...
Madras to U.K.	...	...
India to—		
Australia, etc.	0.5	0.5
Sundries	...	...
Total	66.9	40.5

BRITISH WHOLESALE PRICES

Jan. 11, 1939 Jan. 18, 1939

CEREALS AND MEAT

	Jan. 11, 1939	Jan. 18, 1939
GRAIN, etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	28 0	28 0
Eng. Gaz. av., per cwt.	4 5	4 5
Liv. Mar., per cental	4 8	4 8
Flour, per 280 lb.—		
Straights, d/d London	23 6	23 6
Manitoba, ex store	24 0	24 0
Barley, Eng. Gaz., av. per cwt.	7 11	7 10
Oats	6 2	6 5
Maize, La Plata, landed, 480 lb.	30 0	29 6
Rice, No. 2 Burma, per cwt.	7 1 1/2	7 0
MEAT—		
Beef, per 8 lbs.—		
English long sides	4 2	4 4
Argentine chilled hinds	4 3	4 4
Mutton, per 8 lb.—	4 8	4 8
English wethers	4 8	4 8
N.Z. frozen wethers	3 6	3 4
Lamb, per 8 lb.—	4 4	4 4
N.Z. frozen	5 4	5 0
Pork, English, per 8 lb.	7 0	6 10
BACON (per cwt.)—		
English	100 0	95 0
Danish	100 0	95 0
Dutch	95 0	90 0
Irish	100 0	97 0
HAMS (per cwt.)—		
Canadian	100 0	98 0
United States	98 0	96 0

OTHER FOODS

	Jan. 11, 1939	Jan. 18, 1939
BUTTER (per cwt.)—		
Australian	122 0	123 0
New Zealand	123 0	125 0
Danish	144 0	140 0
CHEESE (per cwt.)—		
Canadian	71 0	71 0
Italian PC	73 0	73 0
New Zealand	70 0	69 0
English Cheddars	86 0	84 0
Danish	96 0	96 0
Dutch	63 0	63 0
COCOA (per cwt.)—		
Accra, g.f.	22 3	22 9
Trinidad	37 0	37 0
Grenada	26 0	26 0
COFFEE (per cwt.)—		
Santos supr. c. & f.	33 6	33 6
Costa Rica, medium to good	75 0	75 0
Kenya, medium	72 0	75 0
EGGS (per 120)—		
English (15-15 1/2 lb.)	17 6	17 6
Danish (15 1/2 lb.)	13 6	11 6
FRUIT—		
Oranges, S. African boxes	...	...
" Brazilian Rio Pera boxes	6 3	6 6
" Jaffa boxes	10 9	10 9
Lemons, Naples boxes	10 3	9 9
" Sicilian boxes	10 0	16 0
Apples, Amer. (var.) barrels	28 6	25 0
" Canadian: Nova Scotian (var.) barrels	24 0	27 0
Grapes, Almeria barrels	...	...
Grapefruit, S. African barrels	...	...
" Jamaica	5 0	5 6
" Jaffa, Seedless	10 6	11 0
" Cyprus, seedless	...	...
" Texas (March Seedless)	12 6	12 6
LARD (per cwt.)—		
Irish, finest bladders	50 0	50 0
U.S.	42 3	42 9
PEPPER per lb.—		
Black Lampong (in Bond)	0 2 1/2	0 2 1/2
White Muntok (in Bond)	0 3 1/4	0 3 1/4
White Muntok (Duty paid)	0 3 1/4	0 3 1/4
POTATOES (per cwt.)—		
English, King Edward, Siltland	5 6	5 6
SUGAR (per cwt.)—		
Centrifugals, 96%, prpt. shipm.	6 3 1/2	6 3 1/2
c.i.f. U.K./Cont.	19 10 1/2	19 10 1/2
REFINED LONDON—		
Yellow Crystals	...	...

	Jan. 11, 1939	Jan. 18, 1939
SUGAR (per cwt.)—cont.		
Cubes	24 0	24 0
Crushed	22 3	22 3
Granulated	20 1 1/2	20 1 1/2
Home Grown	21 0	21 0
TEA* (Auction Average) (per lb.)		
N. India	12.93	13.07
S. India	13.78	13.48
Ceylon	14.97	14.88
Java	11.63	11.48
Sumatra	10.57	10.64
Africa	11.58	11.59
Total	13.43	13.44
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 0	1 0
Unstemmed	1 2	1 2
TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	5.17	5.21
" Sakelardis, F.G.F.	7.32	7.25
" Giza, F.G.F.	7.37	7.30
Yarns, 32's Twist	8 1/8	8 1/8
" 40's Twist	10	10
" 60's Twist (Egyptian)	17 1/4	17 1/4
Cloth, 32 in. Printers, 75 yds.	16 1	16 1
" 36 in. Shirtings, 75 yds.	22 6	22 6
" 38 in. ditto, 38 yds.	9 6	9 6
" 39 in. ditto, 37 1/2 yds.	8 7	8 7
" 16x15, 8 1/4 lb.	8 7	8 7
FLAX (per ton)—		
Livonian ZK	81 0	84 0
Pernau HD	81 0	83 0
Sianetz Medium, 1st sort	100 0	100 0
HEMP (per ton)—		
Italian PC	70 0	70 0
Manilla, Jan.-Mar. "J2"	23 0	20 0
JUTE (per ton)—		
Native 1st mks., c.i.f. H.A.R.B.	20/5/0	20/6/3
Jan.-Feb. c.i.f. Dundee	19/15/0	20/0/0
SISAL (per ton)—		
African, Jan.-Mar.	14 5	14 5
Italian, raw, fr. Milan	8 0	8 0
WOOL (per lb.)—		
Lincoln hog, washed	12 1/2	12 1/2
Queensland, scd. super combg.	22 1/2	22 1/2
N.S.W. greasy, super combg.	13	12
N.Z., greasy, half-bred 50-56	12	12
" Crossbred 40-44	10	10
Tops—		
Merinos 70's average	26 1/2	26
" 64's "	25	24 1/2
Crossbred 48's	16 1/2	16
" 46's "	16	15 1/2
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	22 6	22 6
Durham, best gas, f.o.b. Tyne	19 0	19 0
Sheffield, best house, at pits	24 0	24 0
IRON AND STEEL (per ton)—		
Pig Cleveland No. 3, d/d	99 0	99 0
Bars, Middlesbrough	245 0	245 0
Steel rails, heavy	190 0	190 0
Timplates	20 3	20 3
NON-FERROUS METALS (per ton)		
Copper—		
Standard cash	43/13/9	43/1/3
Three months	43/18/9	43/6/3
Tin—		
Standard cash	217/0/0	216/7/6
Three months	218/0/0	217/5/0
Lead, soft foreign—		
Cash	14/15/0	14/10/0
English, pig	16/15/0	16/10/0
Spelter, G.O.B.—		
Spot	13/13/9	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	50/0/0	50/0/0
Wolfram, Chinese	57 0	57 0
Platinum, refined	710/0	710/0
Quicksilver	15/4/0	15/4/0

* Weeks ended Jan. 5th and 12th.

† 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.

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 December 31		Twelve months ended December 31			Month ended December 31		Twelve months ended December 31		
1937	1938	1937	1938		1937	1938	1937	1938	
I.—Food, Drink and Tobacco—					I.—Food, Drink and Tobacco—				
A. Grain and Flour	8,592,523	4,395,162	91,367,180	74,434,439	A. Grain and Flour	138,838	118,655	1,731,374	1,670,006
B. Feeding-stuffs for Animals	1,192,835	872,734	11,347,741	11,422,654	B. Feeding-stuffs for Animals	39,421	46,870	636,974	700,337
C. Animals, Living, for Food	571,529	809,399	7,122,058	9,220,868	C. Animals, Living, for Food	71	1,185	95,862	8,583
D. Meat	8,506,978	8,366,771	87,058,849	90,695,481	D. Meat	116,176	111,880	1,150,975	1,234,924
E. Dairy Produce	7,637,057	6,081,780	72,904,974	79,998,957	E. Dairy Produce	66,185	65,506	1,158,596	1,111,724
F. Fresh Fruit and Vegetables	3,333,179	3,239,807	36,485,544	38,423,004	F. Fresh Fruit and Vegetables	131,271	127,773	531,697	594,158
G. Beverages and Cocoa Preparations	4,848,996	4,008,605	48,486,037	46,521,090	G. Beverages and Cocoa Preparations	1,340,935	1,281,581	15,528,080	13,827,246
H. Other Food	5,358,946	5,340,142	58,319,928	57,317,028	H. Other Food	1,219,283	918,691	12,902,897	12,048,812
I. Tobacco	2,715,652	2,333,165	18,007,377	23,344,359	I. Tobacco	398,966	352,598	5,038,385	4,915,208
Total, Class I	42,757,695	35,447,565	431,099,688	431,377,880	Total, Class I	3,451,146	3,024,739	38,774,840	35,910,998
II.—Raw Materials and Articles Mainly Unmanufactured—					II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	1,340	1,785	23,790	14,739	A. Coal	3,030,929	2,849,877	37,653,529	37,410,967
B. Other Non-Metalliferous Mining and Quarry Products and the like	502,686	347,634	5,260,533	4,721,635	B. Other Non-Metalliferous Mining and Quarry Products and the like	112,135	74,940	1,351,699	1,057,412
C. Iron Ore and Scrap	1,320,216	381,248	12,657,597	10,754,707	C. Iron Ore and Scrap	30,847	112,363	890,970	594,828
D. Non-Ferrous Metalliferous Ores and Scrap	1,498,360	1,283,251	19,143,144	16,216,522	D. Non-Ferrous Metalliferous Ores and Scrap	208,907	244,999	3,219,255	2,298,735
E. Wood and Timber	5,075,873	3,498,357	61,772,285	42,900,021	E. Wood and Timber	12,108	4,079	101,462	72,280
F. Raw Cotton and Cotton Waste	5,016,846	2,452,901	48,729,690	29,586,905	F. Raw Cotton and Cotton Waste	41,025	33,541	965,624	459,320
G. Wool, Raw and Waste, and Woollen Rags	3,746,872	3,840,890	52,139,314	42,693,710	G. Wool, Raw and Waste, and Woollen Rags	519,316	615,276	9,069,350	6,263,557
H. Silk, Raw, Knobs and Noils	207,270	161,827	2,263,137	2,058,391	H. Silk, Raw, Knobs and Noils	685	23	9,803	5,873
I. Other Textile Materials	1,226,444	1,368,026	12,528,129	11,776,604	I. Other Textile Materials	41,427	44,780	580,766	913,823
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	2,348,671	1,713,275	35,214,712	30,610,925	J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	230,363	193,704	3,754,087	2,886,237
K. Hides and Skins, Undressed	2,414,122	1,773,392	25,168,989	18,249,432	K. Hides and Skins, Undressed	146,445	118,036	1,800,686	1,108,942
L. Paper-making Materials	1,873,862	1,452,185	15,943,241	16,045,205	L. Paper-making Materials	144,740	100,556	1,870,972	1,172,674
M. Rubber	954,892	652,197	12,248,226	11,513,418	M. Rubber	27,349	19,407	387,199	227,449
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	1,067,843	857,837	12,142,975	10,460,657	N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	326,252	230,218	2,973,762	2,451,410
Total, Class II	27,253,297	19,784,805	315,235,762	247,602,871	Total, Class II	4,872,528	4,641,799	64,629,164	56,923,507
III.—Articles Wholly or Mainly Manufactured—					III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	1,057	722	82,237	8,298	A. Coke and Manufactured Fuel	306,946	274,967	4,234,918	3,301,709
B. Pottery, Glass, Abrasives, etc.	651,854	574,519	8,237,437	7,333,242	B. Pottery, Glass, Abrasives, etc.	784,278	719,519	9,972,129	9,618,627
C. Iron and Steel and Manufactures thereof	2,842,048	748,990	19,805,244	14,504,981	C. Iron and Steel and Manufactures thereof	4,235,183	3,390,518	48,370,349	41,598,968
D. Non-Ferrous Metals and Manufactures thereof	4,348,662	3,292,647	55,713,076	40,847,707	D. Non-Ferrous Metals and Manufactures thereof	1,092,529	1,057,930	15,699,979	12,326,400
E. Cutlery, Hardware, Implements and Instruments	648,478	549,144	7,754,287	7,038,158	E. Cutlery, Hardware, Implements and Instruments	825,066	737,756	9,709,725	9,032,022
F. Electrical Goods and Apparatus	296,522	253,977	4,082,970	3,105,550	F. Electrical Goods and Apparatus	1,155,410	1,128,532	12,538,044	13,434,431
G. Machinery	1,993,921	1,579,069	24,222,057	21,838,190	G. Machinery	4,952,485	5,113,375	49,740,963	57,906,966
H. Manufactures of Wood and Timber	671,577	486,513	8,390,594	6,288,050	H. Manufactures of Wood and Timber	103,489	85,760	1,316,401	1,163,252
I. Cotton Yarns and Manufactures	277,084	247,544	3,428,524	3,135,780	I. Cotton Yarns and Manufactures	5,018,026	3,653,373	68,508,703	49,684,368
J. Woollen and Worsted Yarns and Manufactures	287,859	295,132	4,229,228	3,842,340	J. Woollen and Worsted Yarns and Manufactures	2,565,504	1,960,629	35,502,846	26,815,755
K. Silk Yarns and Manufactures	185,697	169,749	2,604,993	2,160,342	K. Silk Yarns and Manufactures	113,147	110,699	1,490,662	1,288,748
L. Manufactures of other Textile Materials	576,096	574,215	8,093,895	7,391,034	L. Manufactures of other Textile Materials	1,476,752	1,133,674	20,319,698	14,883,397
M. Apparel	573,397	468,360	8,383,278	8,028,242	M. Apparel	703,021	645,034	10,221,144	8,519,476
N. Footwear	144,865	140,499	2,494,619	2,793,008	N. Footwear	146,064	123,227	2,174,625	1,965,823
O. Chemicals, Drugs, Dyes and Colours	1,196,709	930,962	13,857,534	13,214,627	O. Chemicals, Drugs, Dyes and Colours	1,843,089	1,637,748	24,653,095	22,048,681
P. Oils, Fats and Resins, Manufactured	3,878,772	3,560,611	46,524,452	44,123,348	P. Oils, Fats and Resins, Manufactured	384,551	354,648	5,877,019	5,367,984
Q. Leather and Manufactures thereof	578,817	502,588	9,788,744	6,444,873	Q. Leather and Manufactures thereof	347,275	320,786	5,344,766	3,943,482
R. Paper, Cardboard, etc.	1,737,710	1,184,058	17,198,797	14,858,340	R. Paper, Cardboard, etc.	690,381	594,760	8,095,878	6,931,582
S. Vehicles (including Locomotives, Ships and Aircraft)	546,068	441,542	6,459,447	4,513,965	S. Vehicles (including Locomotives, Ships and Aircraft)	3,885,950	3,820,566	39,923,718	44,639,716
T. Rubber Manufactures	56,430	45,179	740,164	782,945	T. Rubber Manufactures	127,260	128,404	1,657,118	1,648,528
U. Miscellaneous Articles wholly or mainly Manufactured	1,773,390	1,761,638	22,809,920	21,588,602	U. Miscellaneous Articles wholly or mainly Manufactured	2,580,110	2,367,886	29,304,160	29,252,150
Total, Class III	23,267,013	17,807,658	274,901,497	233,841,622	Total, Class III	33,336,516	29,359,791	404,655,940	365,372,065
IV.—Animals, not for Food	243,893	281,900	3,030,178	3,318,511	IV.—Animals, not for Food	91,805	105,600	850,152	680,447
V.—Parcel Post	737,354	800,143	3,557,303	4,296,702	V.—Parcel Post	2,129,523	1,966,626	12,481,398	11,996,472
Total	94,261,252	74,122,071	1,027,824,428	920,437,586	Total	43,881,518	39,098,555	521,391,494	470,883,489

OIL OUTPUTS

British Controlled Oilfields, Ltd.—Total output week ended January 14, 1938 : 11,270 barrels.

Phoenix Oil and Transport, Ltd.—The gross production of crude oil of the Phoenix group for December, 1938, was 47,300 tons.

Trinidad Consolidated Oilfields, Ltd.—Output for November, 1938, 52,417 barrels.

Trinidad Leaseholds, Ltd.—The board have decided, in future, to publish monthly figures for crude oil production and purchases in barrels. The figures for December, 1938, are as follows : Crude oil production (own fields only), 440,651 barrels; crude oil purchases (including own share of oil from jointly operated fields), 553,412 barrels.

Trinidad Petroleum Development.—Output week to January 7, 1939, 56,019 barrels. Output December, 1938, 261,138 barrels. Deliveries for December, 1938,

including purchased oil, 268,997 barrels. Total output for week ended January 14, 1938 : 55,582 barrels.

Venezuelan Oil Concessions.—Total output week ended December 31, 1938, 1,290,818 barrels. Total output week to January 14, 1939 : 1,234,273 barrels.

Dacia Romano Petroleum.—Gross output December, 1938 : Dacia, 1,767 tons; Perimeter X, 2,369 tons; Starnaphta, 263 tons.

THE ECONOMIST

Vol. CXXXIV

JANUARY 28, 1939

No. 4979

CONTENTS

LEADING ARTICLES

Germany After Schacht	165
Britain's Man Power	167
Changes in Yugoslavia	168
Fixed Prices for Farmers.—II. The Cost of Fixed Prices	169

TOPICS OF THE WEEK

Barcelona Falls	171
An Enemy on the Pyrenees	171
The Prime Minister and Parliament	171
Socialist Heresy-Hunting	172
No Eastern Front Next Time?	172
The Palestine Arab Delegation	172
Air Raid Precautions	173
British Commercial Policy	173
Civil Aviation	173
Britain and the Near East	174
The Fortification of Guam	174
Canada and Commonwealth Defence	174
Housing Progress	175
Poverty in Bristol	175

OVERSEAS CORRESPONDENCE

United States; France; Germany; Italy; Finland	175
Letters to the Editor	
Dr Schacht and the Nazi System	180
Anglo-American Comparisons	181
Sterling and Gold	181

BOOKS AND PUBLICATIONS

Work and the Workless in America	182
Shorter Notice	182
Books Received	182

THE BUSINESS WORLD

LEADING ARTICLES

The Bank Chairmen	183
London Store Shares	184

FINANCE AND BANKING

Dr Schacht and the Reichsmark	186
The Guilder Under Pressure	186
December Clearing Bank Averages	187
Currency War in China	187
Mr Frederick Hyde	190
Sun Life Assurance Report	190
MONEY MARKET NOTES	188

INVESTMENT

Prey to Politics	190
Imperial Tobacco Profits	190
Cables and Wireless Earnings	191
Investment Trust Results	191
Tilling and B.A.T.	192

INVESTMENT—cont.

Amalgamated Cotton Setback	192
The Week's Reorganisation Schemes	192
Rhodesian Copper Earnings	193
Ashanti Goldfields Report	193
Bibiani	193
Rand Selection Corporation	193
Commonwealth Mining Scheme	194
The Week's Company Profits	194
Company Meetings of the Week	194
THE STOCK EXCHANGES	194
CAPITAL ISSUES	196
SHORTER COMMENTS	196

INDUSTRY AND TRADE

Increase in Steel Industry's Capacity	197
Cotton Enabling Bill	197
The Small "Tramp"	198
Reduction in Crude Oil Output	198
Idle Shipping	199
Decline in Rayon Output	199
Record Nitrogen Consumption	199
INDUSTRIAL REPORTS	199
THE COMMODITY MARKETS	201
COMPANY MEETINGS	202
CURRENT STATISTICS	222
MONTHLY TRADE SUPPLEMENT	

Germany After Schacht

THE very noticeable increase in international tension and in the nervousness of world markets during the past week is a convincing tribute—though perhaps a grudging one—to the respect in which Dr Schacht's competence and ability were universally held. General Franco's approach to Barcelona and its strategic consequences—now, at last, realised in quarters hitherto obstinately blind—have played a part in the creation of anxiety. But a victory for the Spanish rebels has for so long seemed an ultimate, even if not an immediate, probability that its effects ought by now to have been discounted. Dr Schacht's dismissal from the presidency of the Reichsbank, on the other hand, was unexpected. In any circumstances it would have been unwelcome news. But in the exact context of the present it is a disturbing proof that the last links that bind Nazi Germany to commonsense and moderation are being snapped. Just as 1938 opened with the departure of the "moderate" Generals and the replacement of Baron von Neurath by Herr von Ribbentrop, with what consequences we all know, so 1939 begins with Dr Schacht's dismissal and still further steps to subordinate the Army to the Party. The parallel is not comforting.

That Dr Schacht should have retained, in such degree, the respect, if not the admiration, of foreign bankers and statesmen is in itself a remarkable achievement. Admittedly, he stored up for himself a substantial reserve of confidence in the years when he was putting Germany's finances to rights after the havoc of the inflation. But his differences

with the republican Government over the Young Plan had far more politics in them than is usually permitted to bankers. Moreover, since 1933, Dr Schacht has been a mainstay of the Nazi regime. It is he who has driven such hard bargains with the standstill creditors. It is he who has pushed Germany's default on her foreign debts (many of them borrowed on the security of his own earlier policies) up to the very verge of commercial retaliation. It is he who has been the chief technician of the Nazi trading methods, whose ingenuity is admired in foreign countries as much as their immorality is reprobated. It is he who has been the financier-in-chief of that German re-armament which now threatens the lives of us all and weighs like an impenetrable cloud on all business enterprise. A man with achievements such as these is not a man who, in general, could expect to be liked in foreign countries. But whatever Dr Schacht has done, it has always been clear that the real Nazis, had they been in his place, would have done worse. And so his going is a signal for despondency.

Dr Schacht has himself described his policy as "elasticity in method and persistence in fundamentals." It is an apt characterisation. For a man who scored his first great success by insistence on the full rigour of the rules of orthodoxy, he has shown a very remarkable power of mental adaptation. There is dispute over the precise share he had in evolving the plan for stabilising the mark in 1923. But there can be little doubt that it was his forceful personality that created the necessary conditions of confidence in

the new currency and his rigid insistence on the virtues of economy and orthodoxy that prevented a relapse once the immediate danger was past. In the years from 1923 to 1929 there was no leading banker in the world who more fervently preached balanced budgets, adherence to the gold standard, the removal of restrictions on the free movement of capital and the rest of the elements of the orthodox faith.

This past of rigid orthodoxy did not prevent him, when he returned to the Reichsbank in 1933, from pursuing *à outrance* precisely the opposite policies. The Reichsmark is still on the gold standard only in the most empty formal sense, while there is an ever extending range of special marks by using which the German exporter is given the advantages of depreciation at the expense of the "blocked" creditor or the persecuted Jew. The Budget is as fully unbalanced as a Budget can be. And the free, liberal, capitalistic economy has disappeared beneath the towering structure of Nazi controls. State spending and State control have gone much further than Dr Schacht originally intended or now approves, and he has never tired of proclaiming his hope that Germany may one day return to her place in an integrated world economy. But the fact remains that Dr Schacht has played the leading rôle in the actual development of Nazi economic policy. What is more, judged by the results to date, it has been a remarkably successful policy.

If the story stopped at this point, with Schacht the High Priest of orthodoxy converted into Schacht the Witch Doctor of expansionism, he could be put down as no more than a very able technician who changed his views as he turned his coat; he would find his place in history alongside the Vicar of Bray. But his dismissal last week shows that there is more than mere time-serving in Dr Schacht. Behind his elasticity of method there is a persistence in fundamentals. The fundamental fact for him, indeed for all of us, is that finance is no more than clothing for the stark limbs of economic reality. In 1923 he proclaimed that what is not economically possible cannot be accomplished by any monetary magic. In 1933 it was the other facet of the truth which needed emphasis: that if a thing is economically possible, financial means for carrying it out can be found. In that sign Herr Hitler has conquered. But for a year or more Dr Schacht has been pointing out, with growing insistence, that conditions have returned to 1923 and that to pursue any further the financial policies that served their purpose five years ago is to set the financial machine a task it cannot possibly solve.

We do not know the exact occasion of Dr Schacht's dismissal or why affairs came to a head on January 19th. But the main substance of his disagreement with the Party authorities is clear. He has offered to Herr Hitler the advice that finance cannot obscure or override economic facts. And the advice has been distasteful, as it always has been, and always will be, to the heads of spending governments.

The main facts about Germany's economic position are concisely stated in a letter from Mr Thomas Balogh which will be found on page 180. The year 1938 was much less favourable for Germany in economic than in political matters. It is true that the volume of production was still further increased, but only at the cost of very severe strains. The shortage of labour has led to a "combing-out" of men from all non-essential industries, the drafting of women (in contravention of Nazi principles) and even the importation of workers from Italy. Partly as a result of longer hours, partly owing to the employment of less efficient workers, the productivity of labour is falling sharply. In addition, the chronic over-working of capital equipment and the failure to provide funds for maintenance or replacement is leading to a decline in the efficiency of capital. The fall in exports has caused a severe shortage of imported raw materials.

The financial system shows similar signs of strain. During the twelve months to October the published debt of the Reich rose by approximately Rm. 8 milliards (or nearly £700 millions at the official rate of exchange). The issue of long-term loans has been pushed as far as it can go. Indeed, the recent loans have been possible only because of the extreme pressure that has been put on the savings banks, insurance companies and other financial institutions to subscribe. The savings banks now have in their portfolios nearly seven times the amount of securities (almost all Reich loans) that they had in 1928, while the security portfolios of the life insurance companies have increased nearly nine-fold. Altogether, the securities held by all financial institutions have increased from Rm. 2.9 milliards in 1928 and Rm. 4.9 milliards in 1934 to Rm. 16.3 milliards in 1938. This has meant, of course, that credit for purposes other than the State's has been unobtainable. Even so, the very qualified success of this month's loan offering shows that the limit has been reached. The financing of the Reich has not been confined to long-term loans. The banking system's holdings of bills of all varieties has increased in the past year by Rm. 3.7 milliards. And, finally, there has been an expansion in the note circulation of Rm. 2.7 milliards, which is far larger than can be explained by the increase in production and by the annexation of Austria and the Sudetenland.

Germany, in short, is already deep in inflationary finance. The State already absorbs half the whole national income, and if there is to be any further expansion of the production of armaments or other "capital" goods it can only be at the expense of a direct reduction in the supply of consumption goods—that is, in the standard of living of the population. No financial policy, as Herr Funk will discover, can avoid that dilemma. If economies in State expenditure are ruled out (as Herr Hitler, impelled by his ambitions, has ruled them out), the only remaining choice is between different methods of curtailing the people's consumption. Inflation secures this end by raising prices. Taxation does it by reducing incomes. Control by rationing does it more directly. Dr Schacht preferred the open, honest and equitable method of taxation. But the Nazis do not like openness or honesty, and they believe in inequity to minorities. So Dr Schacht makes way for the obedient Nazi, Herr Funk.

Herr Funk has been given three public instructions. One of these is merely political—to merge the Reichsbank in the apparatus of the State—and has been accomplished in the act of Dr Schacht's dismissal. The second instruction—to open the capital market to private industry—can only complicate his task. The third, to maintain the stability of prices and wages, is an impossible counsel of perfection. For Herr Funk's real task is to release more funds for armaments, and a reduction in the purchasing power of wages is not merely an incidental corollary of such a task but its essence. An inflation of prices in the 1923 sense is improbable; it would be far too damaging to the prestige of the regime to be allowed. But the control of what the worker can buy is obviously going to be progressively tightened. His substance will not be wasted in inflated prices so much as in endless food queues.

And the moral for the rest of us? The Nazis can be under no illusions about the unpopularity among their own people of their war economy. It is unlikely that they entertain any vain hopes about their ability to maintain the present pace for very long—for purely technical reasons if for no other. All the evidence suggests that every industrial, financial and technical reserve is being depleted for one gigantic effort. Germany's striking power is being deliberately raised to a peak which could not be excelled, and could hardly even be maintained, in time of war itself.

For what purpose?

Britain's Man Power

A NATION-WIDE recruiting campaign to fill the gaps in the ranks of our defence and fighting forces, and to set behind their front-line strength a powerful and trained reserve, has been begun this week. On Monday the Prime Minister broadcast an appeal for the most generous and ungrudging response to the Government's call. On Tuesday the Minister of Labour made public a compendious list of the reserved occupations from which volunteers for services likely to be whole-time in war will not in general be accepted in peace-time. On Wednesday the distribution of the National Service Guide, listing all the civilian, military, naval and air force duties for which recruits are required, was set on foot. Every section of the population will share the heartfelt hope that this call to national service will meet with swift and abundant success.

The manner of the call to arms is in marked contrast to the methods of mobilising man-power in other lands. Only a week ago a decree of the German Führer placed all citizens of the Reich over the age of sixteen under military training, both before and after their actual term of conscript service. Here the success or failure of recruitment is left to the goodwill and loyalty of citizens themselves.

It was precisely this contrast that the Prime Minister underlined in his wireless appeal.

Compulsion (he said) is not in accordance with the democratic system under which we live, or consistent with the tradition of freedom we have always striven to maintain.

There can be no doubt that, in willingness for service and readiness for sacrifice, the volunteer will always rank higher than the pressed man. It is true, too, as the last world war showed, that the free enterprise of democratic countries contains a capacity for adaptation to swiftly shifting demands which has a large part to play in eventual victory. Strait-jacketed, neither labour, capital nor technique can preserve a flexible efficiency, if only because the war we plan for is never the war which comes. On political and technical grounds alike, therefore, the true test of democratic citizenship is the readiness to serve when danger threatens.

Nevertheless, the issues involved in shoring up the nation's defences with all the speed that the character of modern warfare makes needful are more than matters of political procedure or democratic etiquette. It is swift and comprehensive results that will count. Patriotism is not enough; according to a precise calculus of defence requirements, it must be guided into the channels where loyalty, enthusiasm and ability are most needed. Man-power must be fully apportioned, trained and equipped before the first bomb bursts. "There will be no time (said Mr Chamberlain) to train after war starts." It is the likely practical consequences of the Government's personnel programme which must be analysed.

The general outline is clear. Of the nation's man-power between the ages of 18 and 64, half, including some 3 millions over 45 years of age, will be held back, by reason of their occupation, from services which, in war-time, would take them wholly away from their important civil duties, though they will remain available for training in part-time defence duties, especially those associated with their workplaces. The other half, or a further 6 or 7 millions, including four-fifths of the men between 18 and 45 and a majority of women, will form a reservoir for all varieties of national service, such as air-raid precautions, police, fire services, first aid, land work, and the vital reserves and auxiliaries attached to the armed forces. A citizen army of some 1,800,000, including 600,000

trained reserves, is required for citizen services. There is no restriction on the members of either group, reserved or not, to prevent their immediate whole-time enlistment in the armed forces.

The foundation-stones of the voluntary system announced are four. The National Service Guide aims to inform every citizen of the openings available. Actual recruitment will be conducted by the responsible bodies already instituted for the several services. The local offices of the Ministry of Labour will serve as clearing-houses to prevent recruits in reserved occupations from joining forbidden services. Finally, 210 National Service Committees in the counties and boroughs of Great Britain and Northern Ireland will stimulate recruitment by publicity and propaganda, give impartial advice and information to would-be volunteers and endeavour to hold a proper balance in each area between the intakes of the various services.

The burden laid upon the National Service Committees, which are to represent capital, labour, the civilian services and the armed forces, is a heavy one. The detailed list of services in the Guide will inform readers fully of the jobs to be done: but many will not discover which service is the most suitable for them to join or which branch is in most urgent need of their aid. The booklet is a reference book rather than a real guide, and the Committees' publicity and advice will be all-important sign-posts for citizens anxious to serve.

In part, the priorities which the Committees will indicate are already obvious. In general, recruitment for defence duties has so far not been gravely deficient. Over a million volunteers have come forward. But many are still untrained; and certain areas and certain services, such as the police war reserve, the auxiliary fire brigades, and the first-aid groups, are seriously undermanned. These are clear cases for the swiftest and most sonorous guidance.

Quite clearly the several parts of the scheme, which is comprehensive and ambitious, are designed to prevent the chaos and confusion in the use of man-power which marked the opening years of the last war; and it is clear again that there now exists the national machinery of the Ministry of Labour to register the occupational classification of volunteers. Yet it is by no means certain that the fullest possible success in the mobilisation of man-power according to the nation's needs will in practice be achieved by the scheme as it stands.

The argument that a voluntary system may not result in the coming forward of all the suitable recruits required, and may fall far short of the complete registration of all the country's personnel according to their capacities, is officially met by the confident claim that citizens are unanimously anxious to serve. This contention is correct; but the fact that, even after every householder has read the Guide, many will still be uncertain about their next step suggests that there may be a considerable wastage of willingness. One source of wastage that is still very apparent is in the mobilisation of brains, which was such a valuable element in the last war and will be vital again in the next war. It is difficult for brains to volunteer in advance, for they do not fit easily into any large category. But the failure to provide obvious means by which brains can serve their country may result in their being enrolled in services where brawn and courage are more needed. Most of the best brains of the country are fully occupied in work which they could not wholly abandon in war-time, and their ability to volunteer is correspondingly limited. This difficulty might be got over, and many advantages secured,

if it were possible to allocate in peace-time to established groups of professional men (such as advertising agencies, engineering consultants, technical businesses) work for which, together with the skeleton of their peace-time work, they would be responsible, as a group, in war, and with which they could be familiarising themselves now. The Advisory Council set up under Sir Walter Moberley's chairmanship might consider the feasibility of such a scheme.

"It is for the Government to make clear what service the country needs and in what forms it can be given," Sir John Anderson has said. The job has been only partially done. The individual has not in every case been given a clear idea of the priority of the various claims upon his services. The community as a whole has not yet been fully informed of the programme of priorities upon which the Government's defence policy, enclosing active striking power, production, supplies, consumption and foreign trade in an integrated pattern with personnel, is based. All our peace-time preparations must be rationally related to envisaged war-time needs. We must have the map of the war economy on our walls, in full colour and contour.

In the case of personnel we must have our minds made up at once about the proportion of available man-power needed by the armed forces for front line, reserves and auxiliaries—active striking power is still the crucial factor in war; for the production of war material and equipment; and for the production of goods and services to meet essential civilian needs and maintain exports at the highest possible level. At present, for instance, the total number of regular and territorial troops available for active service, excluding 64,000 anti-aircraft irregulars, is under 450,000. In 1914 the corresponding total was over 650,000. In the light of recent European changes can we continue to contemplate the next war in terms of only a "token" army to

assist France? It is said that we can afford no more of our man-power than a bare half million; but, if the object of our fighting is to win the war, can we afford less than a million, or even more, fully equipped and mechanised for expeditionary use?

This problem is no more than one illustration of the general problem of priorities which underlies the Government's defence policy. It may be that a comprehensive and sufficient programme for the apportionment of all the nation's resources and activities has been prepared to spring fully armed from the heads of the State; but recent failures in planning and production have scarcely spread confidence. The Government's attitude towards proposals for a Ministry of Supply and a compulsory register has shaken faith in the full rotundity of their plans; and, in the specific case of training for national service in civilian defence, the lamentable lack of training equipment and accommodation which has lately marred progress in vital branches—and may still prove the most serious obstacle to the present campaign—has been but a poor advertisement for public policy.

Nevertheless, when all is said, it cannot be too strongly emphasised that a chief remedy for past failures now lies in the hands of the people of Britain themselves. If each and every citizen is fully resolved to find a proper place in the roll of active service, to use every effort to dispel all uncertainty, to exploit to the full the advice and information offered by the National Service Committees and to resist every temptation to wait upon the course of events before acting, then, when Parliament comes to review the recruiting campaign in March, it may be found that loyalty and determination have been triumphant over hesitation and doubt. We must all hope and pray so, for the sands are swiftly running out.

Changes in Yugoslavia

ROMAN trumpets have blown hard for Count Ciano's visit to Dr Stoyadinovich. For too many Englishmen Yugoslavia is just another Balkan uncertainty: but the Italians, with good historical reason, do not under-estimate a country with far greater natural wealth and an area little less than their own, lying on the ancient trade route between Central Europe and the Mediterranean. After the events of October, friendship with Yugoslavia is their bet for the Balkan stakes.

Prince Paul Karageorgevich became senior Regent of Yugoslavia in 1934. His modest words to the Skupshchina on that occasion, that "he hoped they would be pleased with him," have typified his Regency, for he has remained a modest autocrat, ruling from behind the scenes. Three major political changes distinguish his rule: the first concerning internal politics, the second commercial development, and the third foreign policy.

The Government's victory in the general election of December 11th against a ragged coalition of disgruntled nationalists, the valiant fragments of a democratic Opposition, and the well-knit Croat home-rulers, may have been little more than a tribute to a certain Balkan aptitude for uncomfortable election technique on the Government's part; but it also owed something, even if not much, to the zeal shown by Dr Stoyadinovich's Radical Union. For the fact does remain that the political system is becoming less illiberal. The rigours of 1929, when the Croat leader, Radich, was murdered by a Serb deputy and the Skupshchina suspended by King Alexander, are slowly thawing out. The absolute monarchy is no longer an absolute regency. In last month's election only four people were killed in riots; and there have been few charges of intimidation. Throughout Croatia and North Dalmatia, Dr

Matchek and his followers in the campaign for Croatian home rule have been free to state their views and attack their opponents; their newspapers, at least in comparison with those of neighbouring countries, have had a fairly free hand; and even in Belgrade, Serb and Croat Opposition parties have held united demonstrations without being haled off by the police. But the return to responsible parliamentary government is very gradual, and those parties are still, and for a long time will remain, lost in the wilderness. Their numerical strength is uncertain, except for Dr Matchek's Croat People's Party, which is all-powerful in its own provinces; but what they lack in authority they make up for in enthusiasm. The Serbo-Croat Opposition "popular front" was joined for last month's election, and made even more incongruous, by General Zhivkovich, Dr Yevtich, and their Serb nationalist party. The Slovenes, third partner in the South Slav Union, unlike the Croats, have usually voted with the Government, for they are few and without strong grievances, and until the recent Cabinet changes have had, for talisman against discrimination, their leader, Father Koroshetz, as Minister of the Interior.

The credit which may be assigned to Prince Paul for liberalising politics must be tempered by the realisation that no union of three peoples, such as the Croats, Serbs and Slovenes, could long endure without a great deal of give and take and a great deal of delegated responsibility. The strength of Croat federalism rests precisely on the fact that the Serbs, having had a flying start in 1918 by virtue of possessing not only the king but also the capital and the embryo of government, have wished to take too much upon themselves. The Croats, moreover, are Roman Catholics; while the Serbs are Orthodox. Serbian dictator-

ship will always be a chancy business. The measure of Prince Paul as a statesman will be taken by his handling of the Croat case. Until now he has treated the Croats high-handedly, though the Concordat riots of 1937 did not make things easy for him; but he must soon decide whether it is to be suppression or appeasement. It should not be beyond his powers to supplement the cultural and economic equilibrium which already exists with a better political balance between Croatia and Serbia.

The second change is really only an incipient tendency, and may be summed up by the word "industrialisation." Although Yugoslavia is first and foremost agrarian, with about 80 per cent. of the population working on the land, history records that King Stephen Dushan ate from a golden platter, and six hundred years later the modern Yugoslav is taking the hint. Indeed, for a country rich in coal, iron, copper, lead, zinc, chromium, manganese, and bauxite, and possessing deposits of the precious metals and of antimony, Yugoslavia is remarkably underdeveloped; and this despite the fact that there has been little hesitation in calling in foreign capital.

Mineral production has fluctuated from a maximum value in 1929 of 1,499 million dinars to one of 1,414 million dinars in 1936, falling to 1,052 million dinars in 1932. In common with the growth of trade between Yugoslavia and Germany, which has been strong since sanctions put Italy out of the running, there has been an influx of German capital. The State-controlled mines at Ljubija, Vreche and Zenitsa, forming the core of Yugoslavia's infant metallurgical industry, were all equipped by Krupp; but the most important foreign enterprises remain those of the French copper interests at Bor and the British lead interests at Trepka. Among important Yugoslavian concerns are the aluminium plant at Lozovats and the cellulose refinery at Duruvor; while a good deal of activity is being directed towards research and survey work. Export of mining products in 1937 amounted only to 1,169 million dinars (about £4.2 millions at par); but if, as Herr Funk implied when at Belgrade the other day, Germany is willing to offer virtually unlimited markets for mineral raw materials, then there seems no reason why German capital should not double that total in the not distant future. At this point Belgrade remembers the balance of power. Sanctions, the *Anschluss*, and the transfer of Sudeten Bohemia, have successively strengthened the German hold on Yugoslav trade, to the discomfiture of Italy. Count Ciano's visit carries a step further the corrective applied by Dr Stoyadinovich in the autumn of 1938, when a decree restricted Yugoslav exports to Germany by half; and the reported granting of an Italian credit worth £5 millions, confirms the impression that an improvement in trade was the immediate purpose of the visit.

Fixed Prices for Farmers—II

The Cost of Fixed Prices

THE general principles of the policy of "insuring" or guaranteeing prices for agricultural produce, which is currently being advocated both by the National Farmers' Union and by the Conservative Agricultural Committee in the House of Commons, were examined in an article in *The Economist* last week. The proposal is, in brief, that a standard price should be fixed by an independent Commission for each product and that when the price actually obtainable by the farmer falls below the standard, the deficiency shall be made up to him in cash. The volume of production on which this guarantee would be given would, presumably, be limited, as it is in the Wheat Act whose successful operation has inspired the present proposals.

It was suggested in last week's article that, subject to

The extent to which the Government will permit or encourage the inflow of foreign capital is conditioned by their zeal for industrialisation. Unlike Atatürk, neither King Alexander nor Prince Paul have thought it possible to lay down a hard-and-fast rule, and for the moment it seems very unlikely that any serious measures could be contemplated to discourage the entry of foreign capital. But the rate of industrial advance depends less on the business-men than on the politicians.

If Yugoslavia were given another twenty years of peace, it would be safe to say that by then she would be a country with a settled constitution. She is not that to-day. The country's leaders have the unenviable task of keeping in trim a ship of State when many of its passengers are doing their best to rock it. Prince Paul and Dr Stoyadinovich have steered a middle course, but, because of the snags, also a tortuous one. They have had to bear in mind the ever-present danger that German, Hungarian and Bulgarian minority claims will take an acute form; they have had to deal with Serb nationalists and Croat federalists; most controversial of all, they have had to match their foreign policy with a post-sanctions pattern, change direction when the League failed and Germany was re-armed, patch up hasty friendship with indignant Italy, and all this without alienating the Western Powers more than could be avoided.

Because she is a satisfied Power it is in the interest of Yugoslavia to maintain the *status quo*. Things as they are may not suit her perfectly, but at least they could be much worse. To think of Prince Paul, or even of Dr Stoyadinovich, as being "pro-German" or "pro-Italian," is to miscalculate the fundamentals of their foreign policy. For although Yugoslavia is a balance-of-power State, and might be supposed to view with alarm German domination of South-East Europe, nevertheless to have expected her rulers to bolster French and British interests in the Balkans when it was plain for all to see that other and nearer nations were in the ascendant, was to expect a show of light-headedness or of sheer altruism. In Europe after the defeat of sanctions, and *a fortiori* after the meeting at Munich, it must be the aim of Dr Stoyadinovich and his successors to play off Italy against Germany, to maintain intact the Balkan entente and good relations with Bulgaria, and whenever possible (as at Nyon last year) to co-operate with Britain and France. They should be happy to carry out the last part of this programme if only because democratic alignment in foreign policy is one of the main planks in the Opposition's platform. But while the Berlin-Rome Axis holds firm, scope for co-operation with Britain and France will remain small; and Yugoslavia's impeccable neutrality during the last crisis is a guide to what she will do in the next.

three important provisos, the scheme represents the method by which the community can assist the domestic agricultural industry with least damage to itself. The first proviso is that the funds necessary shall not be raised by a tax on the consumption of food. Secondly, any attempt to base the standard prices on cost of production is both wrong in principle and administratively impracticable. And lastly, the Commission which is to administer the plan must be not only genuinely independent of the agricultural industry but also specifically charged with trusteeship for the interests of the community as a whole.

If these three provisos are observed, a scheme of guaranteed prices would have a great deal to be said for it. But it remains to estimate what it would cost in practice.

Any such estimate is very difficult to make; it is impossible to make with any precision. In the first place, the farmers have not revealed what they would regard as reasonable prices, and there is no method of deciding what figures might be agreed upon between them and the Government. There are the same uncertainties about the maximum quantities of each product to which the fixed price would apply. Even when standard price and quantity have been determined, there are no means of estimating what actual market price will be. And for most commodities there is a whole array of diversities of grade and kind that hinder any calculation which treats the commodity as a unit.

Nevertheless, the policy cannot be discussed in a financial vacuum. Before Parliament or the public can be expected to form an opinion on the scheme they must know whether its cost will be of the order of five or of fifty million pounds. An attempt has therefore been made in this article to estimate what might have been the cost of such a policy if it had been in force over the past decade. The estimate has involved, as will be seen, a number of necessarily arbitrary assumptions, and the result is therefore at best nothing but a rough indication. But in every case where a choice has had to be made between possible assumptions, care has been taken to understate rather than to exaggerate the cost.

The first step in any such calculation is to fix the standard prices and quantities. For livestock products, the production of 1936-37 has been taken as standard. For crops, the standard is a production equal to the average 1928-37 yield on the actual 1937 acreage. The livestock figures apply to Great Britain, the crop figures to the United Kingdom. The assumption is then made that actual production is equal to the standard every year. Milk, sugar beet, hops and potatoes are omitted from the calculation, since their prices are already controlled. Any cost that falls on to the community in respect of these four commodities must, however, be added to the final totals reached by the calculation.

For standard prices, two alternative series have been chosen—a lower and an upper standard. For each of the nine commodities included in the calculation, annual average prices were taken from the Ministry of Agriculture's official statistics for each of the ten years 1928 to 1937. These ten annual prices constituted a range, the highest year being at the top of the range, the lowest at the bottom. The lower standard price was assumed to be one-third of the way up from the bottom of the range to the top. The upper standard price was assumed to be one-third of the way down from the top to the bottom. The standard quantities and standard prices arrived at by this means are shown in the following table:—

STANDARD PRICES AND QUANTITIES

	Upper Standard Price	Lower Standard Price	Approx. Present Price	Standard Quantity
Wheat	8s. 3d.	6s. 7d.	4s. 5d.*	32,700,000 cwt.
Barley	9s. 10d.	8s. 9d.	7s. 11d.*	14,800,000 cwt.
Oats	8s. 10d.	7s. 2d.	6s. 2d.*	36,800,000 cwt.
Fat Cattle	42s. 4d.	37s.	37s. 3d.	2,022,000 head of 10 live cwt.
Fat Sheep per lb. dead weight	11d.	9½d.	9¼d.	2,600,000 head of 65 lb. dead wt.
Fat Lambs per lb. dead weight	18½d.	11½d.	8½d.†	7,810,000 head of 40 lb. dead wt.
Bacon Pigs per score dead wt.	13s. 8d.	11s. 4½d.	12s. 1d.	1,900,000 head of 140 lb. dead wt.
Pork Pigs per score dead wt.	15s. 2d.	12s. 9½d.	14s. 9d.	1,700,000 head of 80 lb. dead wt.
Hen Eggs	17s. 8d.	15s. 4d.	18s.	36,000,000 great hundreds.

* Excluding subsidy.

† Quotation for end of October.

It may be remarked in passing that even the upper standard prices would in all probability be unacceptable to the farmers. The upper standard for wheat, for example, is considerably below the standard of 10s. per cwt. fixed by the Wheat Act (for a quantity of 36,000,000 cwt.) with

which the N.F.U. has hinted its dissatisfaction. The calculations of cost based on these prices and quantities are therefore certainly below the figures the farmers envisage.

When the standard prices and quantities have been determined, the estimate of cost follows by a simple arithmetical calculation of the deficiency between the actual price and the standard for each commodity in each year, multiplied by the standard quantity. The results are shown in the next table, using the lower standard for prices:—

COST OF LOWER STANDARD PRICES
(£ millions)

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Ten Years
Wheat	...	...	...	1.4	1.1	2.0	2.9	2.3	...	...	9.7
Barley	...	...	0.6	0.6	0.9	0.6	0.1	0.6	...	...	3.4
Oats	...	...	1.8	1.7	0.3	2.9	1.7	0.6	1.5	...	10.5
Fat Cattle	...	...	...	...	...	2.2	2.8	5.4	3.8	...	14.2
Fat Sheep	...	...	...	...	1.2	1.1	...	...	...	...	2.3
Fat Lambs	...	...	...	...	2.2	1.9	0.3	0.3	...	...	4.7
Bacon Pigs	...	...	0.5	...	1.6	0.8	...	0.7	...	...	3.6
Pork Pigs	...	...	...	...	1.7	0.9	0.1	0.9	0.5	...	4.1
Hen Eggs	...	...	1.1	...	2.8	3.1	4.2	2.7	0.7	...	14.6
Total	...	...	2.4	5.3	11.8	15.5	12.1	13.5	6.5	...	67.1

On this basis, then, the cost, averaged over the whole decade, would be £6½ millions per annum. The average cost for the seven years in which some payment would have had to be made would have been £9½ millions.

The certain refusal of the farmers to accept the lower standard of prices lends more significance to the calculation on the basis of the "upper standard":—

COST OF UPPER STANDARD PRICES
(£ millions)

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Ten Years
Wheat	...	...	0.4	4.1	3.8	4.8	5.6	5.0	1.8	...	25.5
Barley	...	...	1.4	1.4	1.7	1.4	0.9	1.4	1.1	...	9.3
Oats	...	...	4.7	4.6	3.4	6.0	4.6	3.9	4.2	0.4	31.8
Fat Cattle	...	...	...	...	2.8	7.6	8.2	10.9	9.3	4.3	43.1
Fat Sheep	...	...	...	...	0.5	2.5	1.6	0.7	0.7	...	6.7
Fat Lambs	...	...	...	...	0.4	4.3	3.9	2.4	2.4	1.9	15.3
Bacon Pigs	0.1	...	...	...	2.0	3.1	2.3	1.6	2.2	1.5	13.7
Pork Pigs	0.3	...	...	...	1.6	3.5	2.7	1.8	2.6	2.2	16.1
Hen Eggs	...	...	0.7	5.2	7.0	7.5	8.4	6.9	4.8	3.3	43.8
Total	0.4	...	7.2	19.8	32.1	37.7	34.2	36.0	27.5	10.4	205.3

The average annual cost over the ten years would have been £20.5 millions. There were two years in which no more than a negligible sum would have been paid; the average cost for the remaining eight years would have been £25.6 millions a year. This figure, it will be remembered, is additional to sums paid in milk or beet sugar subsidy, but it would, of course, have replaced the present subsidies for wheat and cattle whose cost from their inception up to 1937 amounted to £37 millions.

It must be emphasised once again that these figures can be no more than illustrative and the actual cost might be very different. It is worth while, however, mentioning some of the variable elements that might affect the cost.

Standard Prices.—The higher these are, the higher the cost. As has already been mentioned, it is certain that the farmers would not agree to prices lower, on the average, than the "upper standard" assumed above, and probable that they would insist on something much higher. If the precedent of the wheat quota was followed and prices were fixed at the highest annual level of the years 1928-37, the total cost over this decade would have exceeded £350 millions.

Standard Quantities.—The figures taken for the volume of production allow for no increase, but, equally, they assume that a volume of wheat, barley and oats equal to the standard is sold off the farm, which is not necessarily the case. It may be noted that in the only case in which a direct comparison is possible, that of wheat, both the "upper standard" price and the standard quantity are well below those laid down in the Wheat Act at present in force.

Market Prices.—If the prices on the open market over the next decade were higher than those that prevailed in the years 1928-37, the cost of the scheme to the Exchequer would be less. No one can predict the future of prices. But the decade chosen for comparison includes two years (1928-29) when prices were considerably higher than they

show any signs of being in the immediate future. It is part of the N.F.U.'s proposal that imports should be restricted. If this were done and prices rose as a consequence, the cash burden on the Exchequer would, of course, be diminished—at the cost of a heavier burden on the domestic consumer applied regressively in inverse proportion to the ability to pay.

The policy of guaranteed prices is thus likely to be extremely expensive. On a balance of considerations, the actual cost seems likely to be above, rather than below, that estimated in the last table. The truth is that British agriculture is one of the first industries to feel the ill-effects of that increasing disproportion between British prices and world prices which is encouraged by our new policy of

Topics of the Week

Barcelona Falls.—Five weeks of steady advance against their untrained levies, half-dug defences and meagre supplies, have forced the Republicans out of Barcelona and northwards into the Pyrenees. The astonishing speed of General Franco's advance owes much to able strategy and ample war material, but something also to that mixture of hunger, weariness, and failing hope which assails the morale of men who have been driven backwards day after day for so long. By Thursday the Government had moved to Figueras, near the frontier, and declared its intention, if necessary, of going to Valencia. After the Government went the refugees, their plight perhaps a little improved by the precision of General Franco's plans. Barcelona might have been stormed on Wednesday after the Navarrese had crossed the river Llobregat; but no entry was attempted until encirclement was complete. The army corps operating in the north meanwhile took Solsona and pressed towards the frontier, thus reducing the country remaining Republican to the inhospitable corner from Seo de Urgel to the sea. Its surrender must be only a matter of time; but it remains to be seen whether a substantial number of troops can be transported by sea to the southern provinces. At Valencia, General Miaja has remained very quiet during the disasters in the north. His offensives in Estremadura and around Madrid have made no progress for two full weeks, but it seems as probable that, foreseeing the fall of Barcelona, he purposely called them off so as to prepare a new defence of Valencia, as that the Insurgents were able to offer adequate resistance.

An Enemy on the Pyrenees.—The French have watched the fall of Catalonia with troubled eyes. This week's foreign affairs debate in the Chamber gave a chance to those voices, and they were authoritative, who wished to hurl Jeremiads at a Government that—whatever way one looks at the policy of non-intervention—has been partly responsible for giving France a third hostile frontier. But how hostile? Doubts as to Italian intentions in Spain, and particularly in Majorca, have grown intense these last days. They were expressed in the Chamber: on Tuesday even the *Temps* was startled out of its blinkered urbanity far enough to declare that if the Italians established themselves in Spain after a Franco victory, "it would be France's *imperious duty* to obtain compensatory positions," and that, it is said, means Minorca and Spanish Morocco. Monday's talk between M. Bonnet and the German Ambassador in Paris sent a score of rumours scurrying round the newspapers: but one report which appears to be founded on fact is that French troops are now concentrated on the frontier between French and Spanish Morocco. The widespread belief, reflected in M. Bonnet's declaration of firmness on Thursday, that the fall of Barcelona will signal a renewal of Italian Mediterranean claims, this time in official form, was strengthened by Signor Mussolini's aggressive speech this week, by the calling-up of 60,000 Italian reservists, and by the rumours of German mobilisations in Southern

protection. The £40 millions or so in subsidies to agriculture, the £10 millions or so to shipping and the unspecified amounts that are to be raised for the export trades are all part of the cost of protection. If a protected Britain wants to continue to have a healthy agriculture, it will have to pay heavily for the purpose. One merit of the scheme of guaranteed prices is that it does not, by raising food prices, give another vigorous twist to the vicious spiral of protectionist economics. The other merit is that it brings out into the open, as this article has attempted to do, the full cost of supporting agriculture. It is for the community to say whether the cost is a fair price for the value received.

Austria. Herr Hitler's speech to the Reichstag also cast its shadow ahead. The feeling that this may be zero hour for them is accompanied in many Frenchmen by a growing irritation at the ceaseless barrage of adverse comment coming from the Italian and German Press, and by a bitter suspicion that M. Daladier has been tricked into accepting an agreement which is, after all, what the Left said it was—a humiliation.

The Prime Minister and Parliament.—Next Tuesday Parliament will reassemble. Once again the resumption of business in a New Year finds British politics overhung by problems of foreign policy, defence and finance; and the skies are darker rather than brighter for last September's contact with the grimmest of realities. There are differences now from the situation when Members met twelve months ago. Events in Austria, Czecho-Slovakia and Spain have brought the angel of death, whose companionship is the price of failure to be strong and wise in diplomacy, out into the open. As the world watches the fall of Barcelona and awaits the Fuehrer's words to his Reichstag, spoken with Count Ciano at his side, war is a concrete possibility to most citizens, not the abstract proposition of pundits intended to be in January, 1938. Accordingly, the debate on foreign affairs, which will appropriately begin the resumed session in place of the Bacon and Cancer Bills, will have a sharper edge than the discussions which absorbed so many days last year; and the significance of the speeches will to say the least, scarcely be diminished by the fact that, as the Prime Minister's policy of appeasement has failed so far to bring rewards, because of the dictators' unwillingness to deliver goods of any kind, so has the anxious criticism that comes from party friends and party foes alike grown in volume. The multi-coloured opposition has n

CHRISTIANIA BANK OG KREDITKASSE OSLO

Established 1848

Paid-up Capital and Reserve Funds,
Kr.40.000.000.—.

Oldest Norwegian Private Joint Stock Bank.
Direct correspondents throughout the country.
Offering complete services to banks and firms
doing business on Norway.

Correspondence invited

common focus; dissident Conservatives and Opposition Liberals are not in harness; farmers and Labour's official spokesmen are yoked to no one. But no degree of confusion next week can hide the fact that Mr Eden, Mr Churchill and Sir Archibald Sinclair, to say nothing of those Labour leaders who have put issues of peace and war before heresy-hunting, have to date been proved wholly right in their contention that continued concessions to aggression, without any firm stand on principles of international law or collective action, must invite rather than rebuff the very menace Mr Chamberlain is seeking to prevent. Party loyalty will rule in the division lobby next week. It is too late now to reverse the tragedy which one-sided intervention miscalled non-intervention has set in train in Spain. It is not Parliament but a few Ministers who seem to decide the country's destinies nowadays. But the rising clamour for firmness in foreign policy and full strength in our arms and defences will none the less be heard above all other pleas. Mr Chamberlain will know with a new force that failure in the course on which he has staked his future will bring him down, if only at the feet of wiser members of his own party.

* * *

Socialist Heresy - Hunting.—To the impartial observer Sir Stafford Cripps seemed too able a politician and too right in his diagnosis of the electoral position to be discarded by the Labour Party in these crucial days. It now appears that, on the contrary, the Official Opposition is too stupid and, be it said, too undemocratic to keep him. On Wednesday the indicted rebel refused the Executive's plea to cease preaching the popular front and, by 18 votes to 1, they drove him into the wilderness. More correctly, perhaps, they have driven him from the wilderness of unreality and make-believe in which they themselves stubbornly dwell. Apart from the offence of speaking his own mind freely—which should surely be no crime in a party with pretensions to democratic qualities—Sir Stafford committed the *gaffe* of telling the Labour rank and file the truth. Quite truly the memorandum he recently circulated claimed that the Labour party had no conceivable chance of winning an election, and that since, on the outstanding issues of foreign policy which dominate politics at present, something near to half the electorate was agreed upon an attitude opposed to Mr Chamberlain's views—an attitude professedly shared by the Labour chiefs themselves—it was the duty of the leading Opposition party to work to secure an electoral majority for the Opposition case. To spare Sir Stafford on previous occasions for sponsoring the revolutionary views of the doctrinaire Left extremists, and to axe him now for stating, quite democratically, widely-known and important, if unpalatable, truths is simply the measure of the Labour party's political ineptitude. They are unable to win elections. They are indeed unwilling to win elections. Wrapped in the cloak of an outworn and exclusive creed, they are content that the Government should enjoy an unrepresentative power in Parliament. They are conducting a platform campaign against the Government's foreign policy, but their actions speak louder than their words. Mr Eden and Mr Churchill are still members of the Conservative Party in spite of their heresies; and the sacrifice of Sir Stafford to the Pharisees strengthens the more tolerant Tories just when it is all important that the division of public opinion should be precisely represented by the balance of political forces.

* * *

No Eastern Front Next Time?—The busy back-and-forth of Central European diplomats takes in this week a visit to Berlin by M. Chvalkowsky, Czecho-Slovak Foreign Minister, and another to Warsaw by Herr von Ribbentrop. The first compares with last week's journey to Berlin of Count Csaky, Hungarian Foreign Minister, who retired with clear instructions on the conduct of his office and reproof that Hungary was still hankering for Ruthenia; in the same way, M. Chval-

kowsky's return to Prague was accompanied by a minor German press campaign against "Benes elements" who remained in Bohemia to protest that Czecho-Slovakia was not a German colony. Herr von Ribbentrop's reception at Warsaw, again, is comparable with Count Ciano's in Yugoslavia; the purpose of each was to arrive at an understanding with an important neighbour at a time when his neutrality might be required of him. In official terms, the Warsaw visit is a return for Colonel Beck's to Berlin in 1935, and a means of reaffirming the non-aggression pact signed by Herr Hitler and Marshal Pilsudski in 1934. Unofficially, the visit is more likely to be interpreted as a return for the call which Colonel Beck made at Berchtesgaden a week or so ago. Nothing is known of the result of the Hitler-Beck talks, although agreement on questions of Polish-German relations seems to have been reached, if anything in Poland's favour. If the German answer to Poland's *rapprochement* with the U.S.S.R. is to drop activities in the Ukraine and put a silencer on the clamour of Nazis in Danzig, Memel, and Poland itself, then Colonel Beck is to be congratulated on astute diplomacy. At the same time, however, comes an improvement, implied by trade negotiations and a holiday for anti-Bolshevik propaganda, rather than actually expressed, in relations between Germany and the U.S.S.R. This would suggest that Poland is the "balanced" rather than the balancing factor in Eastern Europe. The Anti-Comintern Pact, in so far as it means anything in ideological terms, is not specifically anti-Russian; indeed, the clear advantages which both Germany and the U.S.S.R. could draw from a non-aggression understanding have long been discussed as a prelude to a German push westwards by those who have reason to fear that menace. The trivial incident which occurred in Holland the other day, when the Nazi Press took advantage of two catapult pebbles flung through the windows of German diplomatic offices in Amsterdam and The Hague to assert that the Dutch were "threatening their neutrality," an incident published far and wide and the cause of a Stock Exchange flutter, showed how general was the fear of that westward push. "The Ukraine" has become a pleasant symbol of safety for people in Western Europe who see in their imagination the German armies disappearing into the limitless steppe, and think of 1812; but it is a facile and improbable symbol which need deceive none who remember that Napoleon was in Spain before he led his armies into Russia.

* * *

The Palestine Arab Delegation.—Before coming into action against the Jews, the representatives of the Arab States, who are to attend the London Conference, have had an arduous struggle over the composition of the Palestinian Arab Delegation. The ancient feud between the Huseini and Nashashibi factions has come to a climax. The Mufti has insisted that the Nashashibis shall be excluded altogether from representation; Raghib Bey Nashashibi demands half the places on the delegation for his own National Defence Party. In the hope of breaking the deadlock, a deputation consisting of General Nuri es Said, the Prime Minister of Iraq, Fuad Bey Hamza, the Under-Secretary of State for Foreign Affairs in the Saudi Arabian Government, and Jamal Bey al Huseini, the head of the Mufti's own delegation, flew on the 22nd from Cairo to Beirut in the hope of persuading the Mufti to agree to at least some representation of the Nashashibis. On the 23rd they returned successful—so they thought. The Mufti had been induced to agree to admitting two specified representatives of the Nashashibi to the delegation; but this time it was the turn of the Mufti's rival, Raghib Bey Nashashibi, to be intransigent. He objected to the two proposed delegates; he objected to their being nominated for him instead of being chosen by himself; he objected to being asked to accept less than the 50 per cent. representation to which he lays claim; and he objected to the nomination, as delegates of his party, of an invalid and a man who, he claims, has deserted to the

Mufti. At the moment it looks as if the combined Arab delegation would travel from Cairo to London without any representative of the Palestine Defence Party being included on it. This open quarrel between the two Palestinian Arab factions may not damage the Palestinian Arab cause as much as might be expected at first sight. For one thing, both parties have exactly the same programme, so that whatever happens the Arab case will not go by default; then, again, either party will be keyed up to insisting upon the maximum demands by the knowledge that, if it compromises, its rivals will jump in and accuse it of having betrayed the national cause—to which they alone have remained faithful. All this is much less awkward for the Arabs than it is for the British Government—who may succeed in coming to terms with the Mufti's representatives, only to see the agreement repudiated by Raghib Bey Nashashibi in the name of the other half of the Palestinian Arab community. These Palestinian Arabs are awkward customers.

* * *

Air Raid Precautions.—The chief item of defence news this week has been the launching of the national recruitment campaign. But, as those who called out for bomb-proof shelters while Sir John Anderson was speaking at Tuesday's National Service Rally evidently believed, the massing of men does not hide the pressing need for material equipment. The Lord Privy Seal has himself given grounds in recent speeches for the belief that, once again, the Government are making ready, under pressure, to extend their defence programme to meet demands which hitherto they have steadfastly denied. Their reluctance to embark upon the provision of deep shelters, now shaken sufficiently to make "careful consideration" officially possible, was probably in large measure financial in origin. If the building of such shelters by local authorities in target areas is sponsored and assisted, the step will represent a considerable victory for Sir John Anderson over the Treasury view. Meanwhile, in Finsbury and Westminster plans for safe shelters proceed.

* * *

In other ways, too, official schemes are belatedly burgeoning. Sir John Anderson is ready to substitute regional for merely local planning wherever needful, but not, so it seems, until the emergency arises; and dilatory local authorities are being pressed to act with speed and efficiency. Centrally, where decision has hitherto been sadly lacking, headway is being made towards more satisfactory schemes for urban evacuation than the purely provisional programme announced a few weeks ago. Plans to make London's hospitals available to render adequate and efficient aid in air raids are being made by consultation with doctors and hospital governors to replace the confused improvisations of last September. The serious deterioration of the trenches dug in the crisis is being taken seriously in hand by the central A.R.P. authorities; and it may be that, in the new wave of effort, more will be made to provide sufficient accommodation, in trenches and blast-proof steel shelters, for most of the population pending the construction of genuine refuges underground. The whole of A.R.P., however, is still put together piecemeal without, seemingly, any co-ordinating plan, and numerous classes of recruits still lack vital training equipment. A proposed Bill to compel employers to furnish workpeople with protection, to be introduced early next month, is much overdue; and it may be the first sign of a policy which, as well as securing the supply of all the men and materials needed for civilian defence, will set out the inescapable minimum duties of every category of the population, and secure their strict observance by the clearest instructions from the Home Office and the closest supervision at every point by central officers. The local authorities are indispensable executive agents; but the Government's sole responsibility for success or failure in defence cannot be set aside.

British Commercial Policy.—Last summer the Federation of British Industries, disturbed by the increasingly unfavourable balance of payments, urged the Government to assume increased powers to negotiate with foreign countries about trade questions, to institute a discriminatory tariff system to penalise countries not prepared to purchase a "reasonable" amount of British products and to take steps against subsidised competition. The Board of Trade has now replied. Rightly, the Board argue that the balance of payments has improved since the Federation's statement and, not out of reason, they rebuke the Federation for too close attention to the balance of visible trade in goods to the exclusion of invisible items. In reply to the Federation's call for active retaliatory measures, they point out that countries unwilling to give United Kingdom goods reasonable treatment have been warned that British patience is not boundless; and that the extension of the export credits guarantee system to form a fighting fund has created a weapon against subsidies. The Federation are not content; and they have put out a further memorandum to say so. They seemingly wish to balance our commercial exchanges with individual countries by penal tariffs; and, in so suggesting, they have fallen victims to the crudest mercantilist errors of theory which, if applied in practice, would still further cut down British overseas trade at a time when concentration on re-armament is in any case likely to impair our position in foreign markets. There is indeed a case that can be made out for a three-decker tariff, discriminating between different classes of countries according to their commercial conduct. But the sole justifiable objective for such a step would be to expand and free world trade; and it should take the form, not of raising present duties against recalcitrant countries, but of lowering them in favour of amenable ones. On the general question of weapons against subsidised competition, the Federation are also at sea. Since their ideal state of trade would be one in which we sold everything and bought nothing, they pay little or no attention to Britain's most powerful weapon, her buying power.

* * *

Civil Aviation.—The accident to the Imperial Airway's Short flying boat "Cavalier," which was forced down on the sea last Sunday by bad weather *en route* from New York to Bermuda, with the loss of three lives, underlined the dangers which have still to be overcome before Transatlantic airplane services can be developed with an adequate margin of safety. In May, after a series of experimental tests of various types of machine which has not been wholly free from mishaps, an air-mail link across the Ocean to Newfoundland and North America is to be inaugurated; but the perils of being compelled to alight on the water in rough weather are still too great for early passenger services to be contemplated. The economic gains of Atlantic crossings by airplane, set

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

against the speedy sea services now available, are not sufficiently considerable to justify any attempt to proceed in this direction until the several outstanding problems have been solved. In established fields, however, it is quite another kettle of fish. It is nearly a year since the Cadman Report, *inter alia*, confirmed wide fears that, apart from the Empire routes, British civil aviation had fallen behind foreign rivals in speed, efficiency and design. A root trouble revealed by the inquiry was the use of obsolete craft, due to delays in the delivery of more up-to-date machines. It is now, to say the least, somewhat disturbing that two of the newest types since introduced on British lines, the Frobisher and Ensign machines, have each had to be temporarily withdrawn from service on account of suspected defects. The pressure of armament demand has seriously impeded the supply of civil aircraft; but, even apart from the fact that orders for replacements might with reasonable foresight have been placed earlier than, in fact, they were, there seems no proper reason why Britain should be less able than other countries, also busy with rearmament, to furnish air services on European routes with speedy, up-to-date and reliable machines. The current hitches are no doubt very temporary, but that the old outmoded craft condemned long before last March's report should have to reappear as our main stand-by is a poor advertisement.

* * *

Britain and the Near East.—Lord Gort's departure on Thursday on a visit to Egypt and Palestine may be taken as a sign of the times. With over 20,000 British troops in Palestine and a force not far short of half that number in Egypt, with the naval bases at Haifa and Alexandria being completed or extended and construction of the Cyprus air base at last under way, we might seem in a strong strategic position in that vital area; but Levantine opinion varies with the actual display of force, and it must be an important charge on the Imperial war chest to provide adequate, and obviously adequate, means of defence in the Eastern Mediterranean. Although Whitehall is non-committal, the journey of the Chief of the Imperial General Staff may perhaps be read in conjunction with the fact that the British Government is now making up its mind what must be done with Palestine failing a decision by the delegates to the coming conference. Nor will the Arab leaders, in Palestine and elsewhere, underrate the importance of his visit. If the Arabs do not get their way, a decision will be imposed upon them. If they do get their way, and an Arab State emerges from the conference, Britain will have strategic claims to make upon it. In their present mood—one more pressing argument for an immediate and statesmanlike decision—each of the Arab leaders is inclined against the Mufti's intransigence and well-disposed to admit those claims. They are clearly in favour of the present balance of power. They are also anxious for a rapid settlement. The hint dropped by General Nuri es-Said, Prime Minister of Iraq, that their meeting at Cairo might lead to some sort of Arab coalition, need not be taken very seriously, for there are wide psychological differences: the antagonism, for instance, between King Ibn Saud and the Emir Abdullah, and the unyielding individualism which marks the Arab and near-Arab rulers. The difficulty of amalgamating elements so volatile cannot be better seen than in the proposal for a Syrio-Palestine. The appointment of a new High Commissioner for Syria has coincided with a Cabinet crisis in Damascus brought on by weeks of intermittent rioting, the Shahbandar Opposition demanding that the Franco-Syrian Treaty of 1936 shall be ratified and the way paved for Syrian independence. If this were not enough to point the moral, it might be added that the Druses want autonomy and the Aloumites a betterment of their lot. Pan-Arabia is not yet in sight. But, in fact, the leaders of what might one day form that union of aim and sentiment are now gathered together for a common end; and that end is not unfriendly to the British Government. It would be foolish to miss so rare an opportunity cementing our moral defences in the Near East.

The Fortification of Guam.—An important American counter-move to Japan's long course of aggression is now in the air. The Naval Affairs Committee of the House of Representatives at Washington has introduced a Bill authorising expenditure which includes an item of \$5 millions for improving the naval and air facilities on the American island of Guam in the Western Pacific. The expenditure is being authorised without the corresponding funds being appropriated, and the improvements at present contemplated do not amount to fortification. The Committee's action is like a warning shot fired across the bows of the Japanese pirate ship of state. If the pirate heaves to, then, no doubt, the shot will not be repeated; if he ignores the warning, then the United States may set about fortifying Guam in earnest. The island is wonderfully placed—due east of the Philippines, due south of the Main Island of Japan, and due north of Papua, while eastward Wake Island and Midway Island provide stepping-stones between Guam and Hawaii. In fact, the fortification of Guam would carry the American naval front in the Pacific westward from Hawaii to the Philippines, and would deprive Japan of that virtual immunity from naval attack which she has enjoyed for the last seventeen years in virtue of the Washington Treaties. Article 19 of the Washington Five-Power Treaty established in the Western Pacific a zone in which all the parties—Japan, the United States, the British Empire, France and Italy—undertook not to improve or add to their existing fortifications and naval bases. This article left Japan navally supreme and impregnable in Western Pacific waters, and consequently mistress of the narrow seas between herself and China. Accordingly, the Five-Power Treaty was accompanied by the Nine-Power Treaty guaranteeing the territorial and administrative integrity of China. Both these treaties have since been torn up by Japan. She has not only attacked and overrun China; she has broken the Five-Power Treaty too by fortifying her own mandated islands, which lie round Guam in the non-fortification area (these Japanese mandated islands are not actually mentioned in the Five-Power Treaty, because their non-fortification had already been stipulated in the terms of the Japanese mandate; but the fortification of them has been a moral breach of the Five-Power Treaty, besides being a juridical breach of the mandate). Owing to Japan's previous treaty-breaking, America's hands are now free. She can fortify Guam if she chooses; or she can use her power to fortify it as a bargaining point if there seems any likelihood of bringing Japan to reason by negotiation.

* * *

Canada and Commonwealth Defence.—The debate on defence policy in the Canadian Senate was discouraging in its evidence of lack of realism in the Government's approach to external problems. According to the cabled summaries, Senator Dandurand said that the Government's defence programme was directed mainly towards three contingencies: an attack on Canada, the preservation of Canadian neutrality in a war in which the United States was involved, and possible retaliation by an aggressor State against an embargo to which Canada was a party. It is hard to decide which of these contingencies is furthest from the probable course of events in the post-Munich era—a war involving the United States from which Canada and other parts of the British Commonwealth could abstain, a violation of Canadian soil not arising as an incident of a world war into which she would long before have been drawn, or the imposition of economic sanctions in such a way as to provoke an armed reaction against the Dominion. Mr Mackenzie King's tactics are obviously to evade the real issues over defence in order to preserve a façade of national unity among internationalists, isolationists and imperialists in Canada. Nor does the Conservative Opposition greatly help by crying Imperial solidarity. The real question is whether Canada will play her part in the now apparently inevitable *Kraftprobe*—perhaps not in the end resulting in war—between two great world groups and the different causes they stand for; and whether she will prepare herself now to play a worthy part if she should be called upon to do so.

Housing Progress.—Despite all prophecies of imminent decline house-building in England and Wales continues to remain stable at about 340,000 a year. This stability, as can be seen from the table appended below, is the result of a declining output by unassisted private enterprise and an increasing output by local authorities under slum clearance and other schemes. If these two contrary movements continue at their present rates, the output of new houses will be about the same this year as last. Actually 340,000 may be considered as an upper limit. The rate of decline of private building is more likely to be accelerated than retarded. The figure of 1,700,000 new houses, estimated a few years ago by the Registrar-General as required on the present standards of accommodation between 1931 and 1941, has already been exceeded. If, as is probable, popular purchasing power reached its peak in the year ended September 30th last, the drop this year may well contribute to a more rapid falling off of private building. Local authorities, too, may be approaching the completion of their current programmes, and, unless a more vigorous attack on overcrowding is launched, the big increase in building by them last year may be followed by a smaller increase or even a decline this year.

HOUSES BUILT IN ENGLAND AND WALES BY

Years to Sept. 30	Private Enterprise without State Assistance	Local Authorities with State Assistance	Total*
1934	257,746	49,679	313,669
1935	275,069	32,685	318,644
1936	274,348	63,749	339,528
1937	264,231	70,630	337,134
1938	248,913	87,452	340,878
1939	230,000†	105,000†	340,000†

* Including provision by local authorities unassisted and private enterprise assisted.

† Present trends projected.

The increasing proportion of private building formed by cheap houses built to let is encouraging. Newly-built houses with a rateable value of under £13 (£20 in Greater London) and occupied by persons other than their owners were 11 per cent. of the total in 1934 and 17 per cent. in 1938.

* * *

Poverty in Bristol.—In recent years Mr Keynes and many other economists have given support to the

opinion that the major social evil of our times was the slump and the principal goal full employment. While there is no reason to criticise this view, it has certainly distracted attention from the poverty which still exists even when booms reach their height. This new survey of the standard of living in Bristol* in the middle of 1937 is, therefore, of exceptional value. It was carried out in a prosperous town at the peak of Britain's recent prosperity. Not only has Bristol a great variety of industries, many of them sheltered, but in respect of at least one industry, namely, aircraft manufacture, the city has benefited from the rearmament programme. A survey of the whole of Britain would have shown more, and not less, poverty. Yet, even in the summer of 1937, one-tenth of Bristol's working- and lower middle-class families could not afford to purchase even the very meagre amounts of food, clothes, fuel, light and cleaning materials taken as minima for the purpose of the survey without sacrificing other essential needs, such as provision for sickness, savings, holidays and recreation. Another 20 per cent. of the families, though not suffering the same poverty, stood precariously on the borderline. Even so, the minimum food requirements used in the survey, which were based on the report of a committee of the British Medical Association published in 1933, are definitely too low in the opinion of the Ministry of Health's Advisory Committee in Nutrition. This is particularly important, since it is in the poorest families that are to be found the largest number of children under 14 whose nourishment ought to be most imperative. One-fifth of the children covered by the survey were living in families below the poverty line and another third in families with seriously scanty means. Only about two-fifths of the children were living in reasonably satisfactory conditions, compared with three-fifths of the persons of all ages. In the interest of the nation's physique and of the future of the population there is, these disturbing figures show, the strongest possible case for more numerous, more varied and more nourishing free meals at school and for the most careful examination of the practicability of family allowances. An effective scheme to meet the minimum needs of families with three or more children would abolish three-quarters of child poverty, and, as suggested in this survey, there is *prima facie* evidence that the cost, even without the imposition of a means test, would be surprisingly small.

* "The Standard of Living in Bristol: a preliminary report of the work of the University of Bristol Social Survey." By Herbert Tout, M.A. J. W. Arrowsmith, Ltd. 64 pages. 1s.

Overseas Correspondence

From Our Special Correspondents

United States

Message and Budget

NEW YORK, January 16.—The President's annual Message to Congress on the State of the Nation was promptly followed by the presentation of the Budget. In the Message the President stated:—

We have now passed the period of internal conflict in the launching of our programme of social reform. Our full energies may now be released to invigorate the processes of recovery in order to preserve our reforms and to give every man and woman who wants to work a real job at a living wage. . . . The first duty of our statesmanship to-day is to bring capital and man-power together. We want to get enough capital and labour at work to give us a total turnover of business, a total national income, of at least eighty billion dollars a year.

To attain this objective, the chief, and indeed the only specific, method mentioned in the Message is a continuation of Federal expenditure in the vicinity of \$9,000 millions a year.

The table printed overleaf gives an outline of the Budget. An increase of taxation to bring in about \$400 millions is proposed, but the form of this was not suggested; there was only a hint that certain forms of tax exemption might be removed. A Bill to subject State and municipal employees to Federal income tax has already been introduced, but this would hardly provide 10 per cent., at the outside, of the suggested increase.

If one is to judge financial opinion by the behaviour of the share market, the response is uncertain. But, by and large, the announcement of larger deficits and a continued expansion of the public debt was received with vigorous criticism by the Opposition Press (naturally), and without enthusiasm by others.

RECEIPTS (\$'000,000)

	1933	1938	1939*	1940*
Income tax	746	2,635	2,086	1,903
Miscellaneous internal revenue..	858	2,280	2,171	2,333
Social security taxes	...	604	611	686
Customs	251	359	335	404
Miscellaneous	225	208	200	208
Total†	2,080	6,242	5,520	5,669

EXPENDITURE

Regular—				
National defence	633	980	1,017	1,126
Interest on public debt	689	926	976	1,050
Total†	2,851	4,646	5,251	5,537
Extraordinary—				
Total	472	1,102	1,229	1,044
Unemployment Relief—				
Total	360	1,996	2,741	2,019
Total expenditure†	3,864	7,626	9,492	8,995
Net deficit	1,784	1,384	3,972	3,326
Gross public debt, end of fiscal year	22,539	37,165	41,132	44,458

* Estimated. Years are fiscal years, ending June 30th.
† Includes elements not itemised in table. ‡ Exclusive of public debt retirement.

Spending for Recovery

Faith in spending as a recovery device is somewhat weaker than it has been. This loss of faith in spending for recovery should not, however, be categorically construed as opposition to deficits, or even as support for retrenchment. For every one who is sceptical that deficits mean prosperity, there are many who fear that retrenchment means depression. The belief that the curtailment of "productive" Federal expenditures in 1937 caused the collapse of that year is not only implicitly believed in Washington, but is widely held elsewhere.

For every one who "believes in" the fiscal policy of the last six years, there are a great many who hold that our economy has now become conditioned to an \$8,000 or \$9,000 million Budget and a continuous increase in the public debt, precisely as our economy in the 'twenties was conditioned to a \$4,000 million Budget and a continuous increase in brokers' loans against stock market collateral. These persons are put in the dilemma of being apprehensive of the continuation of the present policy and equally apprehensive of any change in that policy.

The number of persons sufficiently hard-boiled to advocate taking the position which Mr Roosevelt himself took with reference to a Budget half the present size in March, 1933, that is, to cut it to the bone, is much smaller now than it was then. The number of persons alarmed by a public debt above \$40,000 millions is smaller than the number alarmed by a public debt of \$20,000 millions. Opinion is thus divided pretty evenly between the group that believes that the programme indicated will bring the national income to the desired haven of \$80 billions, and so effect its own remedy; and the group who merely hope that, in some way or other, because of the fiscal programme or in spite of it, the national income will rise to \$80 billions "by the natural forces of recovery," and so solve the whole problem automatically.

A "Lion in the Way"

It is recognised that anything resembling full activity implies or includes activity in the heavy industries, or in the creation of goods for production, which means heavy capital

BANK OF MONTREAL

(Incorporated in Canada in 1817 with Limited Liability)
Financial Agents of the Government of the Dominion of Canada in London
CAPITAL PAID-UP \$36,000,000
REST AND UNDIVIDED PROFITS \$40,183,254
TOTAL ASSETS IN EXCESS OF \$80,000,000
Head Office: MONTREAL
Sir Charles Gordon, G.B.E., President.
H. R. Drummond, Esq., Major-General The Hon. S. C. Mewburn, C.M.G.,
W. A. Bog, Esq., Vice-Presidents. Jackson Dodds, G. W. Spinney, Gen. Managers.
LONDON COMMITTEE { The Most Honourable The Marquess of Willington, P.C.,
G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman).
F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B.
Sir Frederick Williams-Taylor.
London Offices: 47 Threadneedle Street, E.C.2 (Edward Pope, Manager)
5 Waterloo Place, Pall Mall, S.W.1 (J. H. Pangman, Manager)
The Bank undertakes banking business in all parts of the world,
and with its numerous branches offers special facilities in Canada,
Newfoundland and the United States

outlay. But in this respect a kind of defeatism or resignation has come into vogue. The period of domestic expansion, it is held, is over; no longer does our economy afford an outlet for the co-operation of capital and enterprise. American enterprise is "saturated," and can never again afford full employment for capital and labour; hence the economy of recent years, with the Government providing the principal demand for capital and the marginal demand for labour, is to be regarded as normal and perpetual.

Just how widely these views are held is conjectural. It is worth recalling that in the 'eighties (when the "free land" epoch was visibly drawing to the close) they were current and found persuasive expression, even in public documents; but it is also worth remembering that we are only one decade removed from the New Era, when the future of American enterprise seemed as boundless as it now seems circumscribed.

The psychological interpretation of economic phenomena has support in Holy Writ itself, for the explanation given by Proverbs of a lack of the spirit of enterprise is the existence of a hypothetical "lion in the way." At the present time the spirit of enterprise is as sluggish as it was exuberant in the New Era. All sorts of reasons are given for this state of affairs. Our economy has been marking time in recent weeks at a level which is suspended between earth and heaven, and, like the rock on Mount Moriah, much nearer earth than heaven. The question whether we shall emerge from the present phase by a revival of private enterprise or an extension of *étatisme* will largely be determined by factors that do not lend themselves to statistical measurement and report.

Armament Expenditure and Trade

The Budget Message has been quickly followed by the special Message on armaments, with its suggestion of special appropriation of \$522 millions, of which \$210 millions would be attributed to the fiscal year 1940, bringing the total military Budget for that year up to \$1,336 millions. This may be, and probably will be, supplemented by relief projects having a military or quasi-military character, such as certain suggested highways. These figures were very close to earlier estimates and smaller than suggested figures derived from rumours of an "armaments boom." The share market fell rather sharply following the Message, and although it is easy to describe it as a reflection of disappointment that the "armament boom" is not to be, the real causes are probably simpler.

The fact is that the index of manufactures, having snapped from 75 (73 if seasonally adjusted) in June to 103 in November, has since then showed no certain trend. Indeed, it has probably sagged slightly, as it commonly does in mid-winter, once the automobile industry has got into its stride. Such a period of hesitation at this time of year is absolutely non-committal about the future—it is, of itself, not evidence that the forces of recovery are exhausted, nor can it positively be described as a mere breathing spell, consolidating the advance preparatory to an upward thrust. Both opinions are held by competent observers, and each can be sustained by persuasive arguments.

France

Foreign Tension Checks Recovery

PARIS, January 26.—The Italian claims, the dismissal of Dr Schacht with its repercussions on world markets, the approach of Herr Hitler's speech on January 30th, have all exercised an unfavourable influence on the Stock Exchange. Prices fell back from the high level of last December to the level of mid-November, when the recent series of decrees began. Public opinion is strongly opposed to any concession to Rome; and the signs of financial difficulty in Germany appear to be the prelude to new international complications and, therefore, an additional reason for firmness *vis-à-vis* the dictatorships. Feeling in political circles is, then, that the idea of fresh concessions must be put aside by London and Paris as inopportune and even dangerous for both the British and French Empires.

In such an atmosphere the economic progress that has been made seems to lose much of its significance, though it does afford timely support to the markets. The franc is still steady, and more gold has come back in the last seven days.

Germany

Slower or Faster?

BERLIN, January 23.—The Government has lately curtailed its capital schemes to a noticeable extent. Programmes have been spread over a longer period of time than originally planned. Many building projects have been cut down, dropped altogether or simply postponed. Even work on fortifications has slackened; and the building programme of the "Strength Through Joy" organisation has been limited. For the moment, even the *tempo* of re-armament has been checked, and it is being said that military projects will be cut down by 40 per cent.

This tendency will not, however, affect current military expenditure. It remains to be seen, too, whether the continuation of the present foreign policy of the Nazi Party will not make it necessary actually to increase immediate armament outlay; and it is worth mentioning in this connection that the colonial aspirations of the Reich are again being freely discussed.

The reason for the slowing down of capital expenditure is the present difficult financial situation—underlined by the dismissal of Dr Schacht from the Reichsbank. As a result of recent vast public contracts, German industries, and especially the armament and building industries, have reached the limit of their capacity. In May, 1938, the Nazi system of financing work by means of delivery certificates was introduced. Since then, the annexation of Austria, the Czecho-Slovak crisis, which caused Germany to construct great chains of fortifications, and the autumn mobilisation have made fresh State expenditure necessary, and, as a result of all these measures, delivery certificates are now falling due for payment in increasing numbers, while income from taxation is only rising very slowly.

In addition, while the first three Reich loans of 1938 were well subscribed, the fourth loan, amounting to Rm. 1,500 millions, was not fully subscribed within the appointed time, and some Rm. 300 to Rm. 400 millions had subsequently to be disposed of, being taken up, presumably, by savings institutions and insurance companies. Thus, for the moment, it would be quite impossible to float another Reich loan.

Consequently, as the Government's construction and other capital programmes far exceed the possibilities of financing them, from loans and/or taxation, an *impasse* has resulted and plans have to be cut down. The situation is the more difficult because industry itself is now in need of capital for renewals, etc. Competent authorities have suggested substantial increases in taxation. These have been rejected by Herr Hitler as being contrary to the social policy of the Nazis, for the German worker's standard of living is already low. One further reason for the Fuehrer's rejection of higher taxes is that already more than 47 per cent. of the national income is taken by the State.

Thus, retrenchment seems the only way of immediately bridging the financial gap. On the other hand, it must be realised that a continual cutting down of State contracts must lead to an increase in unemployment, which would be dangerous for political reasons.

Trade and Textile Troubles

The unfavourable trend of foreign trade, which is not without its place in the Reich's present difficulties, remained in evidence in December. Imports into Greater Germany were valued at Rm. 541.9 millions and exports at Rm. 504.3 millions. For the whole of 1938 Greater Germany's imports were valued at Rm. 6,052 millions and exports at only Rm. 5,619 millions. Thus, Greater Germany's import surplus

The increase in production, however, is still slow to get under way. As M. Reynaud warned the country, "the effort must be long and sustained." But if the consequences of the lowering of the rate of interest are to be backed by troubles abroad, and if further increases in hours of work can only be carried through by Government interference, the favourable results of recent measures will be still further postponed. The return of more capital and greater industrial activity are expected; orders and inquiries have steadily increased; the reduction of the tax burden on certain industries has proved a useful aid. But credit expansion is still condemned by the monetary authorities; and foreign alarms dominate the immediate scene.

Higher Prices

Increased orders are now coming from the Government for war purposes, since the Treasury is at present well provided. An artificial increase of production stimulated by monetary expansion would lead to an increase in demand for consumption goods and then would follow a fresh rise in prices, which already show a dangerous trend in that direction, although in the week ended January 21st the rise which has recently been noticeable was temporarily arrested:—

Wholesale Prices	Dec. 17th	Dec. 24th	Dec. 31st	Jan. 7th	Jan. 14th	Jan. 21st
General Index	654	658	666	669	671	671
Domestic products ...	679	683	692	696	698	697
Imported products ...	610	613	620	620	621	625
Foodstuffs	627	636	648	652	657	655
Industrial products ...	678	679	682	685	683	686

Improved Coal Output

Coal output in 1938 was 47,560,000 tons, against 45,334,000 in 1937, or markedly lower than the 55 million tons raised in both 1929 and 1930. The recent improvement is due to the increase of the total number of persons employed at the mines from 244,500 to 249,000, and also to the inclusion of three extra working days; working days were 261 in 1938, compared with 258 in 1937.

Coal consumption, on the other hand, fell appreciably from 76,160,000 tons in 1937 to 68,170,000 tons last year. It is true that consumption in 1937 was swollen by speculative purchases due to fears of a rise in prices; but the falling-away last year was also caused by general economic depression. Stocks, which fell by 985,000 tons in 1937, after a notable rise of 1,908,000 tons in 1936, rose last year by 915,000 tons.

Imports of foreign coal fell from 30,875,000 tons in 1937 to 22,725,000 tons, or roughly the low level reached in 1936. This decline was a significant indication, not only of the economic inertia that was internationally experienced, but also of the failure of French industry to respond to the spur of national need. Nevertheless, it is true that imports still represented a value of 4,867 million francs, however, against 2,198 million francs in 1936. The import price per ton average 220 francs in 1938, against 162.5 francs in 1937, and 99 francs in 1936. Average daily output in the mines was in general unchanged since 1937; and the yield, which has fallen by 9 per cent. since 1935 (or by 15 per cent. in the mines of the North), is also unchanged compared with last year.

Increased Oil Imports

Imports of both crude and refined oil from foreign sources amounted in all to 8,136,524 tons in 1938, against 7,757,636 in 1937, an increase of 4.9 per cent.; and imports of crude oil were 13.3 per cent. higher. The principal supplier was no longer Roumania but the United States, who delivered 4.1 million tons of petrol, against 2.8 millions in 1937, while purchases of Roumanian oil fell from 3.8 million to 2.2 million tons. The actual consumption of oil products was nearly 5 million tons, which was practically the same as in 1937, so that the increase in imports is accounted for by the building up of greater stocks.

Potash production made further progress last year. Some 3,274,000 tons were extracted, against 2,833,000 tons in 1937, 2,073,000 tons in 1936 and a record of 3,136,000 tons in 1930. In the week ended January 14th the number of persons unemployed was 415,568, against 416,604 on January 7th and 393,212 a year ago. This is the first fall for many weeks, and the weeks of seasonal increase have seemingly come to an end.

The
MERCANTILE
BANK of INDIA
LIMITED

Head Office: 15, Gracechurch St., London, E.C.3
CAPITAL AUTHORISED £3,000,000
CAPITAL PAID UP £1,050,000
RESERVE FUND & UNDIVIDED PROFITS £1,248,327
Branches and Agencies throughout the East

for the year was Rm. 432.4 millions, whereas in 1937 the Old Reich alone had an export surplus of Rm. 443 millions. The change which has taken place is shown by the fact that, for the Old Reich alone, imports were Rm. 5,449 millions in 1938 and exports Rm. 5,257 millions, making an import surplus for the old territories separately of Rm. 192 millions.

As a result of Germany's lack of foreign exchange, the textile industry has been seriously hampered in recent years for lack of raw materials. Various substitutes, and especially imitation silks and wools, have not made up for this deficiency. The elimination of Jews from the textile trade has had an unfavourable effect, since it was they who were chiefly responsible for the industry's development in Germany. The latest persecution of the Jews has coincided with a new low level of textile exports. And it is significant that emigrant textile experts are now setting up competitive enterprises in foreign countries, such as Holland, England, the United States and Switzerland.

In 1929, German textile exports were valued at Rm. 1,400 millions. In 1937 they were only Rm. 422 millions; and in the first eleven months of last year they were only Rm. 330 millions. In 1933 Great Britain, the United States, Holland, Switzerland and the Scandinavian countries took 82 per cent. of total textile exports from Germany. The rest was divided among between 60 and 70 smaller customers. In the first six months of 1938, however, the group of chief buying countries took textile exports worth only Rm. 100 millions, while the numerous smaller buyers bought Rm. 84 millions' worth.

Credit to Turkey

Following the visit of Herr Funk, Minister of Economics, to the Balkans, the Reich has granted to Turkey a trade credit of Rm. 150 millions, which compares with a credit of £16 millions granted by Great Britain to Turkey last May. The German credit corresponds roughly to the value of a year's trading between the two countries and bears an interest of 5 per cent. It will be used to develop Turkish industries as well as to finance armament purchases. The credit will run for ten years, and the agreement discriminates against other countries competing in the Turkish market, since Turkey is put under an obligation to employ German engineers should it become necessary to use foreign experts to complete the contracts. In addition, shipment must be made on German ships and lading must be dealt with by German firms.

The recent course of trade between Germany and Turkey has been as follows:—

(Millions of Reichsmarks)		
Oct. to Oct.	Imports from Turkey	Exports to Turkey
1935-36	106	71.6
1936-37	132.9	87.1
1937-38	75.7	153.7
1938, Sept. to Dec.	55	52 (estimated)

By reason of rigid restrictions on Turkish exports to Germany, the balance in the clearing which existed before 1935 has been rectified, and over the above years the value of exchanges has been equalised.

Italy

Savings

TURIN, January 16.—Statistics of savings are published by different offices and arrived at by different methods, so it is not easy to get a homogeneous picture of the whole of them. The following table, issued by the Inspectorate of the Insti-

tute for the Protection of Savings, embraces all the most important banks (or those whose deposits exceed 5 million lire):—

(In million lire)			
	1935	1936	1937
Public Banks	5,539	6,922	7,254
National Banks	12,241	13,589	14,152
Ordinary and Co-operative Banks	10,992	12,505	12,955
Savings Banks	18,559	19,302	19,687
Postal Savings Banks	19,958	22,309	25,523
Total	67,289	74,627	79,571

The public banks (Istituti di credito di diritto pubblico) consist of six non-shareholding corporations: the Bank of Naples, Bank of Sicily, Labour National Bank, the St. Paul Institute at Turin, and the Monte dei Paschi at Siena. The big increase in 1938 is partly (about 1,100 millions) due to a shifting of figures from the savings banks, whose deposits appear, therefore, to be declining. The national banks (Banche di interesse nazionale) include the three biggest ordinary banks: Banca Commerciale Italiana, Credito Italiano and Banco di Roma; but since they are controlled by the I.R.I.—which is a State-owned corporation, they also may be classed as non-private banks. The savings banks (which include the Monti di Pietà, or "pawn" banks) are likewise non-shareholding corporations; and, of course, the postal savings banks are State-owned.

Out of 82,799 million lire, 83.8 per cent. (69,318 millions) are deposited with public banks and only 16.2 per cent. (13,481 millions) with private banks; and if one takes the end of 1936 as the practical dividing line between the lira of December 21, 1927 (0.0792 grammes of fine gold) and the lira of October 3, 1936 (0.04677 grammes), deposits are seen to have increased by 7,338 millions during 1936 and by 8,172 millions during the following 20 months. It appears that the alignment or devaluation of the lira has not been followed as yet by a corresponding increase in the monetary national income, and that therefore the margin for savings has proportionately decreased.

Bank Investments

The movement of deposits in banks of various kinds is depicted in the following table:—

(Million lire)					
	1934	1935	1936	1937	Oct. 31 1938
Public Banks					
Cash and bank balances	588	755	1,376	1,109	1,543
Discount	1,649	1,940	1,085	2,517	2,710
Advances	1,016	752	640	925	776
Correspondents	890	1,265	2,232	2,664	2,905
Contangoes	280	138	217	221	140
Securities	1,532	1,410	1,814	1,960	2,572
Savings Banks					
Cash and bank balances	1,555	1,199	1,597	1,550	1,570*
Discounts	1,550	1,361	1,129	1,140	412*
Advances	339	396	359	683	404*
Contangoes	332	202	194	223	160*
Loans	4,522	4,715	4,512	4,401	2,566*
Loans (mortgage)	1,896	1,825	1,651	1,727	1,281*
Securities	8,829	8,910	8,976	9,086	6,675*
National and Ordinary Banks					
Cash and bank balances	...	...	5,349	5,393	4,761
Discounts	...	...	9,795	9,926	9,662
Advances	...	...	175	1,013	1,415
Correspondents	...	...	5,710	5,961	6,244
Contangoes	...	...	1,118	1,095	981
Securities	...	...	3,361	3,565	4,143

* Inclusive only of banks with deposits of over 200 million lire or about 70 per cent. of total deposit.

Public banks and savings banks increased, and ordinary banks decreased, their cash and bank balances. The figures for discounts, advances and correspondents usually reflect trends in industry and commerce; but the big increase in discounts and correspondents by public banks probably refers to money lent to new public bodies (such as those which monopolise the trade in silk cocoons, wheat, hemp, rice, coal, various minerals, etc.), or to industrial concerns controlled to the I.R.I.

Stock Exchange financing, which in our country takes the form of contangoes (riporti) from end to end of monthly settlements is being progressively reduced; and speculative activity on the Stock Exchanges came, indeed, to a standstill during 1938, the most marked increase in business being in State securities.

Credit Machinery

Mortgage loans by savings banks to landowners and householders are decreasing, as are also loans by the Land and Real Estate Credit Institutes (Istituti di credito fondiario). The total of land bonds issued against mortgages decreased from 1,333 million lire in 1934 to 314 in 1935, 194 in 1936, 214 in 1937, and 184 in the first ten months of 1938.

Nor can a noticeable expansion be registered in loans granted by the Agricultural Credit Institutes towards permanent land improvements (rural house building, irrigation, roads, etc.); and these fell from 152 millions in 1934 to 136 in 1935, 82 in 1937 and 133 in the first nine months of 1938. By contrast, loans to agriculturists for current farming operations have undergone a great expansion: 668 million lire in 1934, 818 in 1935, 1,744 in 1936, 3,369 in 1937, and 3,455.3 millions in the first nine months of 1938. The expansion seems to be due to advances granted by the Agricultural Credit Institutes to finance larger cash purchases of wheat, silk cocoons, hemp, rice, etc., by public bodies. In cases of this kind, discounts and advances to merchants by ordinary banks are replaced by loans to public bodies which trade in agricultural products.

The Agricultural Credit Institutes in their turn go to the Bank of Italy for finance; and discounts and advances by the issue bank are therefore bound to rise.

(In million lire)			
	Discounts	Advances	Total
1933	14,656.4	9,701.6	24,358.0
1934	13,049.9	20,409.5	33,459.4
1935	14,176.3	24,625.4	38,801.7
1936	11,758.8	20,758.9	32,517.7
1937	7,801.1	33,320.6	41,121.7
1938 (11 months) ...	12,064.9	32,764.1	44,829.0

This increase in the number of bills discounted and advances made need not have a durable influence on the number of notes issued. Agriculturists, who were wont to sell their products as and when the market called for them, now sell their wheat or hemp, etc., immediately after the harvest. Notes issued thus return almost at once to the banks and are depleted gradually during the year. It may be said that the increasing control of economic activity by State organisations makes the financial market more and more dependent upon those same organisations.

New Investment

Private demand for new capital is moderate. After the slump, joint stock companies, which reduced their capital from 52,281 million lire at the end of 1930 to 44,095 millions in 1935, increased it again to 44,805 millions in 1936, to 47,695 millions in 1937, and to 52,760 millions by October, 1938. In the increase of 5,065 millions for the first ten months of 1938, winding-up accounted for about 1,297 millions, the formation of new companies for 298 millions, and new issues by old companies for the remainder. Fresh money required was, however, much less than 5,065 millions, new issues by old companies being in part paper transactions, such as transfers from reserve to capital account. The 1938 10 per cent. levy on joint stock company capital gave the statutory opportunity for these transfers.

As new savings are thus going mostly into State concerns, changes in the rates of discount and interest have lost much of their significance, and variations are few. During 1938 the official rate remained unchanged at 4½ per cent.; the private rate for commercial paper hovered between 5 and 5½ per cent. at Milan, and the rate for contangoes on stock exchange monthly settlements was between 4 and 5½ per cent. Contango rates on 3½ per cent. Rentes oscillated between 4 per cent. at the beginning of the year and 1-2 per cent. in September, when a moderate bear speculation took place, increasing again to 3 per cent. in the last months. Rates were generally ½-¾ per cent. higher than in 1937.

Finland

Increased Estimates

HELSINGFORS, January 7.—The Diet has now passed the Budget for 1939. Revenue for January-October amounted to 3,467.6 million marks, against 3,303.3 millions in the same months of the previous year, and it is estimated that revenue from Customs and Excise duties and from income and

property taxes will rise—especially in view of the fact that, under a law passed last spring, an extra 20 per cent. will be levied on the direct taxes for financing greater purchases for defence purposes. Only income from Government sawmills is expected to fall off owing to the depressed state of the timber market.

Estimated expenditure records a similar rise, divided among a large number of grants for various purposes. The principal items among these are the increased cost of hospitals and defence; and, in addition, appropriations have been made for converting certain State loans. The main items in the Budget, compared with the corresponding figures in the Budget for 1938, are as follows:—

	1938 Mill. mks.	1939 Mill. mks.
Current revenue	4,131.6	4,502.2
Capital revenue	304.6	709.1
Total	4,436.2	5,211.3
Current expenditure	3,154.3	3,475.9
Capital expenditure	1,281.0	1,733.9
Total	4,435.3	5,209.8
Surplus	0.9	1.5

The conversions referred to represent in part a continuation of the policy of redeeming foreign loans and replacing them by internal ones.

Banking Changes

When Finland abandoned the gold standard on October 12, 1931, no changes were made in the regulations of the Bank of Finland except that the Bank was released from the obligation of redeeming its notes in gold or gold currency. Since that time, therefore, the gold reserve has been valued in the books at the old parity of exchange, and the reserve of foreign currency at rates corresponding very closely to the old parities or even below them, while foreign currencies, in fact, depreciated.

In other words, these assets are booked considerably below their present value. This has caused the Bank considerable inconvenience. Changes in the distribution of the foreign balances between different kinds of foreign currency have occasioned unnecessary alterations in the Bank's statements. In order to avoid such disturbing fluctuations, a law has now been issued which provides that gold and foreign currency can be booked at values more consonant with current prices and gold at a value not exceeding 50,000 marks per kilo.

The appreciation of the gold reserve results in a book profit, which is to be employed, since there is no actual profit and the Bank's assets remain unchanged, to increase the funds of the Bank. The Bank's capital is therefore to be raised from 1,000 to 1,250 million marks; and it is also stipulated that, until the capital and reserve fund together amount to 3,000 million marks, half the annual profit of the Bank is to be employed in increasing these items.

Some less important changes in the Bank's regulations were made at the same time. The note cover has been raised from 1,200 to 1,800 million marks. This alteration was found necessary owing to the great development of economic life since the cover existing hitherto was fixed. For example, the total value of the harvest is now 41 per cent. larger than in 1924, while industrial production has increased by about 114 per cent., deposits in the joint-stock banks by 86 per cent., the turnover of the larger wholesale businesses by 122 per cent. and clearing business by 141 per cent.

The British and Polish Trade Bank A.G., Danzig

Paid-up Capital: D. Gulden 5,000,000. --

Reserves: D. Gulden 3,527,571.57

Chairman: Sir William Grenfell Max-Muller, G.B.E., K.C.M.G.

Vice-Chairman: Józef Koźuchowski

Joint Managers: Stanisław Pawłowicz and Philip Frederick Rann.

Assistant Manager: Aleksander Kowalski.

The Bank was formed to facilitate Exports and Imports from and to Poland, including Danzig.

INQUIRIES SOLICITED

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

OVER 210 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38 Threadneedle Street, E.C.2

West End Branch: 198 Piccadilly, W.1

Letters to the Editor

Dr Schacht and the Nazi System

TO THE EDITOR OF THE ECONOMIST

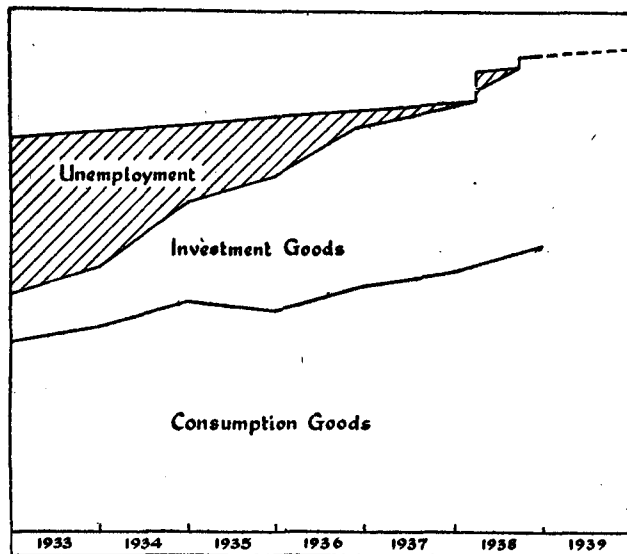
SIR,—The present juncture seems appropriate for a review of the results of Nazi economic policy as reflected in official statistics and for an attempt to arrive at a tentative interpretation of their significance.

The main facts are presented in the tables below and illustrated in the chart. In the first years of the Nazi regime, the existence of large stocks of commodities, and of a huge reserve of unused capital, equipment and unemployed labour made it easy, from the economic point of view, for the Nazis

to achieve their primary aim—re-armament. The expenditure of the State was increased out of borrowings and the reserves were absorbed; indeed, the chief difficulty was to prevent an increase in consumption, in private investment or in the demand for imports, any of which would have restricted the field for the expansion of State expenditure. These difficulties were surmounted by the elaborate system of controls of prices, wages, dividends and new investments, and by severe taxation. The forms of private property and of a free market economy survived, but little of their spirit. The Nazi system, as it has grown up, was not thought out beforehand in its entirety. It has been the empirical and gradual outcome of the Nazis' determination to re-arm.

The reserves of labour and idle equipment came to an end in the middle of 1938. But State expenditure has been very sharply increased. Furthermore, large stocks of certain raw materials and foodstuffs have been accumulated. The increase in expenditure is explained by the expansion of the army and air force, by the two mobilisations and the building of fortifications. The two latter items (which may be non-recurrent) are said to account for Rm. 5 milliards out of the total increase of Rm. 6-10 milliards. The increase in

GERMANY'S ECONOMIC PROBLEM



NOTE TO CHART

The above chart, which is based on the official statistics of employment and the indices of the Institut für Konjunkturforschung, does not claim to be more than an approximate illustration of the facts. The top line represents the total productive capacity of the German economic system. The shaded portion represents unemployment. The spaces between the remaining lines indicate the production of investment and consumption goods. "Investment," of course, includes armaments; private investment may have fallen. The output of consumption goods is not an adequate measure of the standard of life, owing to changes in quality and in the volume of stocks and the distorted emphasis placed on agricultural production. The chart probably understates consumption at the beginning of the period and overstates it in the later years.

The chart shows clearly that the output of "investment" goods (i.e. armaments) can be increased in 1939 only at the cost of a reduction in the standard of living.

GERMAN ECONOMIC STATISTICS

TABLE I. TAXATION, BORROWING AND EXPENDITURE
(In Rm. milliards*)

	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39
1. Tax revenue (inc. States & municipalities) (b)	10.2	10.6	11.9	13.4	15.5	18.4	22.0†a
2. Unemployment insurance contributions ...	1.3	1.5	1.5	1.4	1.5	1.8	1.8†
3. 1 plus 2	11.5	12.1	13.4	14.8	17.0	20.2	23.8†
4. Cost of unemployment relief (c)	2.8	2.3	1.6	1.3	0.9	0.4	0.2†
5. 1 plus 2, minus 4.....	8.7	9.8	11.8	13.5	16.1	19.8	23.6†
6. Available for "extraordinary expenditure" out of taxation (d).....	2.5	1.4	0.6	2.3	4.9	8.6	12.4†
7. Increase in bill portfolio of the banking system (e)			3.76		2.57	1.54	1.11†f
8. Increase in internal post-war debt (g)— Short-term	...	0.4	0.75	0.5	0.5	2.5	2.5†f
Long-term	...	0.85	0.75	1.7	2.6	3.3	4.25†h
9. Total visible borrowing estimated	...	1.25	0.5	2.2	2.1	3.3	6.75†
10. Total borrowing	...	4.15	4.15	4.1	4.67	4.84	7.0†
11. Estimated total sum available for "extraordinary expenditure" (i.e. 5 plus 10)	...	2.75	4.75	7.4	9.57	13.44	19.23

* It is very difficult to estimate the value of the Reichsmark for purposes of conversion into sterling. Its purchasing power is high in terms of labour, low in terms of raw materials. On the whole, a rate of conversion of Rm. 15 = £1 seems very conservative.

† Estimated. (a) Excluding the fine imposed on the Jews and the proceeds from the sale of confiscated property. (b) The table excludes contributions to health, old age pensions, etc., insurance (amounting in 1938 to not less than Rm. 3.1 milliards) and contributions to the Labour Front and Winter Relief Fund (Rm. 0.9 milliards). These and "voluntary" contributions to the Party are additional taxes, part of which are available for military and para-military purposes. (c) Excluding payments out of the insurance fund proper of Rm. 0.4 milliards. (d) This calculation is based on the assumption (i) that the combined

TABLE II. NATIONAL INCOME AND INVESTMENT
(Rm. milliards)

	1928	1932	1933	1934	1935	1936	1937	1938
1. National income	75.4	45.2	46.6	52.7	57.9	64.9	71.0	76
2. Investment— a. Total gross ...	13.7	4.2	5.1	8.3	11.2	13.8	16.0	18.5
b. Total net ...	7.3	1.6	0.75	2.4	5.6	7.6	9.5	11.7
Increase compared with previous year ...								
Gross investment	...	...	0.9	3.2	2.9	2.6	2.0	2.5
National income	...	...	1.4	6.1	5.2	4.7	5.9	5.0

TABLE III. EMPLOYMENT, OUTPUT AND FOREIGN TRADE
BALANCE

	1929	1932	1936	1937	1938
Employment (000 omitted) ...	17,870	12,580	17,140	18,370	20,236*
Unemployment (000 omitted) ...	1,892	5,375	1,593	912	132
Average hours worked daily ...	7.67	6.91	7.59	7.68	8.04
Indices of Production (1928 = 100) :—					
Total, inc. food, etc.	101.1	58.5	106.9	116.8	...
Total, exc. food, etc.	101.4	54	107.8	118.8	133
Investment, goods	97	35.4	116.6	128.7	176.8
Consumption, goods	103	74	95.6	101.5	116.3
Balance of Trade (Rm. mills.)	-783	+1,072	+550	+773	...

* Partially including Austria and the Sudetenland.

budgets of Reich, States and municipalities had a deficit in 1932-33 of Rm. 2.5 milliards, and (ii) that "ordinary" expenditure has not increased since then. This involves some simplifications which do not, however, affect the main correctness of the figures. (e) Excluding changes in the volume of bills held outside the banking system, for which no statistics are available since 1936. (f) Figures for seven months only; the total for the year will be proportionately larger. (g) No allowance has been made for the reductions effected in the pre-war or foreign debts, as it is not known what the cost of such repayments was. (h) Rm. 1.5 milliards has been issued in January. (i) Some part of this increase is due to the incorporation of Austria and is therefore not a net gain to the Reich. (k) Including an estimate for amounts received through the replacement of private by State bills.

Anglo-American Comparisons

TO THE EDITOR OF THE ECONOMIST

SIR,—Writing under the above title your United States correspondent referred to the issue, in December, of U.S. Government bonds at 2½ per cent.—maturing 1960-65.

Even before this funding operation, so much of the floating debt had been paid off that the remainder maturing before 1946 barely exceeded the Treasury's gold stock—which is still rapidly increasing. Moreover, in November the average yield of U.S. bonds callable after 12 years, was 2½ per cent., and that of Treasury bills issued during the month, 1/40 per cent. (Federal Reserve Bulletin, December, 1938, page 1070).

It seems clear that a "Dearth of Bills," such as was anticipated, in the London market, in an article in your issue of December 24th, must long have been felt by the U.S. banks; and to this their failure to make use of their large excess reserves for a much more extensive purchase of Government securities is no doubt attributable.

A policy of borrowing at 2½ per cent. for 25 years, when money can be obtained for practically nothing for three months, and the gold stock exceeds the debt maturing within seven years, has the appearance of a reduction to absurdity of the somewhat similar policy of the British Treasury: and an explanation by your U.S. correspondent, or anyone who understands it, would be of the very greatest interest to students of government finance.

Yours faithfully,

A. C. DOBBS.

Co. Dublin.

Sterling and Gold

TO THE EDITOR OF THE ECONOMIST

SIR,—In your interesting article on "Sterling and Gold" in your issue of January 14th, you combat the "tendency abroad to regard the gold transfer" (of £200,001,571) "as inflationary." It is true, as you point out, that the gold transfer has involved no like increase in the note circulation. But it has, according to the Bank of England Return of January 11th, reduced the reserve ratio (gold stocks to deposits and notes) from 49.9 per cent. to 19.6 per cent. compared with a year ago as a result of the increase of the fiduciary issue by £170 millions.

The gold transferred to the Exchange Equalisation Account is for the purpose of bolstering up the pound, and presumably will be so used. This will reduce the gold reserve available for the redemption of the notes; and the whole transaction is decidedly of an inflationary character. Inflation of the currency exists to-day and can be proved at any time by the adverse rate of exchange and the continuous flow of gold to America. This will continue in spite of this latest transaction, and can only be arrested by reversing the process or stabilising the pound at or about the present exchange.

I am, Sir,

Your obedient servant,

D. M. MASON.

The PARTITION of IRELAND

HOW BRITAIN IS RESPONSIBLE

BY HENRY HARRISON, O.B.E., M.C.

The most dangerous Anglo-Irish issue is here comprehensively stated with precision and brevity; in good faith and with obvious good will.

Obtainable at Newsagents and Booksellers 6d.
or Post free 7d. from the Publishers

ROBERT HALE LTD., 102 Gt. Russell Street, W.C.1

expenditure has been possible only with severe rationing and the compulsory diversion of labour.

There has been no sign of any reduction of armament expenditure in recent months. On the contrary, naval re-armament, which would be very costly, seems to be beginning. The imports necessary for the present scale of expenditure have been partly paid for out of the reserves of gold and foreign currency obtained in Austria. These reserves cannot last for ever, and when they are exhausted, imports will have to be paid for by exports—in the absence of windfalls such as foreign loans or tributes. But increased exports involve a diminution of internal supplies. (Moreover, the growing unpopularity of German goods means that a larger amount must be exported for a given volume of imports.) In addition, there is a strong and increasing demand by the Labour Front for a higher standard of life.

The present policy of the German authorities seems to require, simultaneously, an increase in armament expenditure, an increase in exports, an increase in building activities and (probably) a rise in the standard of living of the workers. Not one of these things, let alone all of them together, can any longer be accomplished by drawing in unused resources—because there are none.

The desperate efforts made to increase voluntary savings were the final attempt to preserve the appearance of a free capitalist system, since an increase in savings would reduce consumption without the use of compulsion. The confiscation and sale of the assets of certain minorities (of whom the Jews have been the first) is a step nearer to compulsory control. The sale of Jewish assets to "Aryans," of course, diminishes the consumption of the "Aryans" by the amount of the purchase price. Similarly, the consumption of the peasants might be reduced by inviting them to buy land confiscated from the Catholic Church or other large proprietors.

Further resources could also be mobilised by the collective rationalisation of industry, by further conscription or importation of labour, by compelling a reduction in the consumption of the rich, especially their consumption of domestic service, and by still further reductions in expenditure on the maintenance of capital in "non-essential" industries. But these devices are limited and necessitate far-reaching political and social changes.

The monetary means employed to accomplish these ends are of relatively small importance. It must not be forgotten that the Nazis, even if they resort to the "printing press," can always sterilise the effect of the money they create through their complete control over the things, and the quantities of them, that the public may buy. It is most unlikely that prices will be allowed to rise. Direct controls to bring about any desired shift in production exist or can be easily created. It is a police problem, not an economic problem. The experience of last summer is revealing. The rate of State expenditure then increased so rapidly that, in any other system, "inflation" would have been inevitable. But labour and capital for the State's requirements were secured by compulsion, not by being competitively bid for.

The conclusions seem to be clear :—

(a) The advantages gained at Munich were not used by the Nazis to consolidate their economic position. They could have used the labour and capital set free by the completion of the fortifications, by demobilisation and by the gains in productive capacity secured in the Sudetenland to increase the standard of living or to raise the allocations for the maintenance of the equipment of civil industry. They did not do so.

(b) On the contrary, further efforts seem to have been made to increase Germany's military striking power to the utmost degree in the shortest possible time, by collecting reserves of materials and continuing re-armament at a very high rate, even at the risk of serious social tension at home and some loss to the popularity of the regime.

(c) This policy is sinister, since it suggests a desire to solve external political "problems" before any attempt is made to solve the domestic economic problems. The Nazi Government, which is spending up to 25 per cent. of the German nation's income on armaments, could unquestionably, if it chose, bring about at once a considerable increase in the standard of living.

The present tension—social, economic and financial within Germany, political outside Germany—is not the incidental result of misunderstandings, misadventures or mistakes. It is not the necessary effect of totalitarian economics. It is the direct consequence of deliberate policy.

Yours faithfully,

THOMAS BALOGH.

London, W.C.

Books and Publications

Work and the Workless in America

Toward Full Employment. By H. S. Dennison and others. (London) McGraw Hill Publishing Company. 297 pages. 12s. 6d. net.

Labor's Risks and Social Insurance. By H. A. Millis and R. E. Montgomery. (London) McGraw Hill Publishing Company. 453 pages. 18s. net.

Planning and Administration of Unemployment Compensation in the United States. By B. M. Stewart. (New York) Industrial Relations Counselors. 665 pages. \$4.00 net.

Unemployment Relief Without Taxation. By E. C. Burdick. (New York) Samuel R. Leland Inc. 125 pages. \$1.25 net.

The four able authors of "Toward Full Employment" declare that they can claim no technical training as economists. It is perhaps for this reason that their arguments in favour of a flexible Budget policy are so refreshingly free from economists' jargon. The case put forward is none the less sound theoretically, and already familiar in this country. The majority of economists here have for long agreed that full employment demands such a policy—expenditure plans ready to offset a decline in purchasing-power, and retrenchment plans ready to curtail unduly speculative conditions.

There are also some extremely interesting statistical appendices giving estimates of possible United States Federal expenditure for the years 1938-43, based on work carried out in co-operation with the United States Department of Agriculture. This section is of distinct importance to anyone trying to estimate America's economic prospects. A tentative estimate of the secondary and tertiary re-employment that would result from a given initial expenditure is made, and this should be closely studied in relation to the points raised

by Mr Kahn and Mr Keynes in their discussion of the "multiplier."

"Labor's Risks and Social Insurance" approaches employment in the United States from a different angle. It is the second of a compendious three-volume series on the economics of labour in the United States. Here health and old age risks are given specially full treatment. The authors, while keeping their recommendations close to the "insurance principle," are not neglectful of the need for Government aid when insurance alone appears to be insufficient. It is, perhaps, unfortunate that British experience (on which current American researches rely to some extent) should have kept up the pretence of the "insurance principle"; it has stereotyped a system of taxation, one half of which is regressive and the other designed to penalise employment—for these, in fact, are the weaknesses of a workers' and employers' contribution scheme. A recognition that the community, to pay for the luxury of unemployment, must be taxed in the way least harmful to consumption and to employment itself, is the only basis on which a sound system of public finance can be devised.

"Planning and Administration of Unemployment Compensation in the United States," too, is concerned with the problem of providing for America's workless. It is a reference book about the social security legislation passed during the last six years in America, and constitutes one of a series of four studies on the unemployment policies adopted in various parts of the world. The overwhelming impression that emerges is that the American system of unemployment relief is passing through a very difficult and (it is to be hoped) transitory phase. Sooner or later a uniform Federal system will have to be accepted by the nation. The considerable achievements already gained, as well as the intolerable confusion that remains, are set out systematically and impartially.

"Unemployment Relief Without Taxation," which suggests a short cut to the solution of this difficult problem, contains a new dodge for inflation without tears. The author abhors all banking activities (such as pumping money into circulation) designed to relieve unemployment; and announces that he is opposed to all monetary remedies. His own elaborate scheme of Purchase Orders, however, is, in fact if not in name, a credit or monetary scheme, and one which, as a few minutes' examination easily reveals, would (even if used in conjunction with banking advances to consumers) work more crudely than ordinary banking methods or than consumers' credits. The author's economic "laws of motion" are not much more reliable than his history when he tells us that "the French lost Canada twelve years before Sir Isaac Newton discovered the basic Laws of Motion." This sort of book has a limited interest derived from the beautiful fallacies in it, and from its being a sign of the revolt of even the uninstructed thinker against the economic system and the banking orthodoxies that persist in high places.

Shorter Notice

"The Norway Year-Book, 1938." Sverre Mortensen. Forlag A/S. Roadhusgaten 25, Oslo. 398 pages. 12s. 6d.

This year-book is remarkably readable as well as informative. Statistics and charts are clearly and agreeably presented, and the chapters on Norway's social services are particularly interesting.

Books Received

The Official Year Book of New South Wales, 1936-37. (Sydney) Bureau of Statistics and Economics. 1,006 pages. Cloth 7s. 6d. Paper 5s.

Review of the Trade of India in 1937-38. (Delhi) Manager of Publications, Statistical Research Branch. 326 pages. Rs. 2-12 (4s. 6d.).

New York Insurance Report. Part I. Fire and Marine (Business in 1937). 1938. (Albany) J. B. Lyon Co. 1824 pages. No price stated.

THE BUSINESS WORLD

The Bank Chairmen

NO casting of horoscopes is more eagerly awaited than the astrological exercises in which bank chairmen indulge at their annual meetings in January. No New Year is fairly begun until these eminent persons have said their say about the way in which the winds of economic fortune are blowing, about the shelters that should be erected against coming storms or about the barriers that should be torn down on the approach of fine weather in the world's markets. A year ago the burden of the chairmen's speeches was the need to reduce restrictions on trade, to get rid of exchange controls and to restore the free international movement of capital, in the cause of galvanising the world economic forces that had then halted into renewed activity.

It must have been with sad thoughts about their last year's proper zeal for sound and constructive policies that the chairmen turned this month to the composition of their latest addresses. Recovery was not renewed twelve months ago; and circumstances have now made modes of commercial warfare, far removed from the liberalism they then preached, the order of the day.

Thus the chairmen have turned their attention in the past week chiefly to two topics; last year's trade depression and the diplomatic tension from which we have not yet begun to recover; and the need for forthright action to counter inequitable, unorthodox and subsidised competition in overseas markets. The bankers' united anxiety about the continued unsatisfactory state of trade is underlined by the contents of this month's Trade Supplement (published with this issue of *The Economist*). In November last year *The Economist's* Index of Business Activity fell to 101½; in December it fell further to 100½, the lowest figure recorded since August, 1935; and there are no appreciable signs in the industrial and commercial scene of any early change in trend. But the chairmen have sounded no note of despair. True, shipbuilding, shipping, coal and agriculture are in varying degrees in the doldrums. The plight of the textile trades, and especially cotton, is parlous; and most of the chairmen emphasised the anxious anticipation with which the Cotton Enabling Bill and the new British India Trade Agreement are awaited. But business in the home market, apart from certain specialised and localised branches of retail trade, has been reasonably well maintained; building activity did not fall away last year to the extent that might have been expected; wages and earnings suffered no appreciable setback; and there is evidence now of some slight upward movement in certain consumption trades (not quite duly represented perhaps in the composition of *The Economist's* Index), such as motor-car sales. "We have grounds for the belief," said Mr F. A. Bates at the Martins Bank meeting, "that we have seen the worst."

On balance, too, the country's financial structure withstood the successive crises of last year well. In an instructive comparison, Lord Wardington at the Lloyds Bank meeting showed in how many ways Britain's banking and monetary system was much stronger and more elastic in the anxious days of September last year than in August, 1914. The abnormal demand for currency was easily and automatically met, and even the mass flight of "floating unemployed capital" created no radical dangers. Inevitably the considerable foreign balances held with London banks to finance world trade, which accumulated in 1936 and 1937 and reached a peak last spring, were withdrawn on a

wide scale under the pressure of political alarms. But, as Mr McKenna claimed at the Midland Bank meeting, "contrary to all previous experience, the transfer was effected without any rise in Bank rate," owing to the operations of that "new and efficient instrument," the Exchange Equalisation Account. The abundance of available bank credit was unimpaired; and, though Mr McKenna may by implication have overstressed the rôle of Bank rate as a measure of cheapness, the maintenance of cheap money, which the bank chairmen called for in January, 1938, was successfully achieved. Domestic business was protected against extraneous developments and "to this extent at least we have become masters in our own house."

This is not to say that all is gas and gaiters at home. Several chairmen spoke with apprehension of the diversion of resources to sterile re-armament; and Mr G. P. Dewhurst, at the Williams Deacon's Bank meeting, called for the most rigid economy in unessential expenditure, "unless we are prepared to live on our capital." On the other hand, a large part of our resources is at present idle, and, to quote Mr McKenna again,

the problem of the proper use to be made of the nation's savings presents at the moment no difficulties for us; it is solved by the fact that the Government has come into the market as a borrower on a large scale.

The heavy additional defence expenditure which the Government cannot escape ought to be directed to bring unemployed men and equipment into activity as far as possible. Taxation cannot help here; but, in present conditions, borrowing will stimulate employment.

Vast Government expenditure, however, must upset our balance of international payments. The purchase of supplies and storage stocks of raw materials and food will swell imports greatly, and the problem of to-day is whether current income from sales abroad and the yield of overseas investment can meet the cost of these purchases. It is precisely in the realm of exports that prospects are most uncertain. Many of our customers are temporarily embarrassed and, all in all, it is overseas that the outlook is gloomy, despite the broadening of the base of British trade by the agreements last year with Eire and the United States. At the Barclays Bank meeting Mr Edwin Fisher re-stated strongly how vitally our standard of living depends upon expanding exports and a favourable balance of payments.

Last year's depression was, indeed, closely associated with a falling off in foreign trade; and this was by no means wholly due to the effects of political uncertainty. As Mr Rupert Beckett pointed out at the Westminster Bank meeting, 1938 was a year of new barriers to trading. The Open Door to China was shut. A programme of nationalism and expropriation was embarked upon in Mexico. Aggressive tactics adopted by German traders with Reich support became a menace to British exporters.

It is perhaps this topic of economic war and trade weapons that marks this year's bank speeches most strongly. It can be too strongly stated. Germany's trade record in 1938 does not show outstanding success in foreign markets. Britain's share of the one market, South-Eastern Europe, where the Nazi drive has been greatest, was small at the outset. Elsewhere, in Europe, Asia, Africa, and even, on balance, South America, British traders have not been perceptibly ousted by Germans.

Yet it is more than ever important, since foreign trade is our most vital arm in national defence, to expand, not simply to maintain, our sales abroad. And this is endangered by Germany's methods of commerce, by her State sales and purchases, her subsidies, currency manipulations, barter and clearing arrangements and debt devices. To counter these the bank chairmen have lent their authority to the present wide-flung call for Government action.

Being bankers, and British bankers, the chairmen are moderate in their claims on this score. They do not follow the Federation of British Industries in calling upon the Government to penalise the entry into this country of goods from recalcitrant countries. They are not anxious to see Britain imposing upon herself a semi-blockade in peacetime. They repudiate firmly the establishment of export subsidies as in any sense a permanent part of Britain's commercial structure. They are not disposed to confuse necessary defence measures with progressive policy.

All the chairmen welcome the strong words lately spoken by the Secretary to the Department of Overseas Trade about fighting the Germans with their own weapons. The extension of the export credits guarantee system to furnish a temporary fighting fund is generally approved. But it is to Britain's own special armoury of economic resources that the bankers very rightly look for weapons. It was Mr Colin Campbell at the National Provincial Bank meeting who put this point most plainly. "We have the financial resources to fight competition, and we can give our clients free exchange." "We are still the world's greatest buyers," and it is by the use of our buying power that we can best preserve our foreign commerce. "Our import trade should be used to the full," asserted Sir R. Noton Barclay at the District Bank meeting, "in pressing our advantage against foreign competitors."

It is only a few weeks since *The Economist* urged that Britain's most important weapon in the commercial conflict was her buying power. It is encouraging that leading bankers, loth to see the principles of sound business wholly abandoned under the pressure of immediate menaces, have expressed agreement. Concerted action by the members of distinct industries, and by groups of exporters, to examine and exploit overseas markets and to enter into agreements with their rivals is needed, and might, indeed, have been widely done much sooner as part and parcel of normal efficient trading. It is a welcome sign that British and German industrialists are to try again to reach an understanding next month. The distasteful device of subsidies is unavoidable in the short run, if only as a bargaining instrument. But it is all-important that these aids should be envisaged as temporary only; that the method of their levy should be clearly worked out with the British consumer's interests fully in mind; that the criteria to qualify industries for assistance should be rationally defined (would it help in any way, for instance, in the present situation to subsidise the declining cotton trade?); and that the terms and conditions of their payment should be independently decided and administered.

Meanwhile, it is not to these agencies, but to the natural processes of international trade and international investment that we must look for progress in a future unclouded by war threats and economic aggression. It is to that distant and far-off prospect that the bankers have looked in their latest speeches; and it is but a sign of sadly disjointed times that their faith in a freer future is dimmed by immediate dangers. For peace as for war, it is infrangibly true that "only by preserving our foreign trade can we maintain our national economy."

London Store Shares

JANUARY is the month of retail store sales. It is also the month in which many London department stores close their financial year. It would be idle to pretend that the Stock Exchange is anticipating much excitement from the dividends and profits of the London stores for 1938-39. The majority of the shares are quoted on a significantly higher yield basis than, say, Marks and Spencer or F. W. Woolworth, and some of them are at levels which plainly leave room for reduced payments at the forthcoming dividend season.

This distinction between the department and chain stores has been a guiding investment factor for several years. The West End has retained its attractions for the shopper. But it has kept its position only by a long and expensive fight, while retailing in the London suburbs and the provinces has gone rapidly ahead since 1933. The extensive rebuilding schemes which have been undertaken by many leading London stores in recent years might be superficially regarded as a sign of rapid growth; but it is probable that their result has been to improve selling service as much as selling capacity. And service to-day implies the maintenance of a series of ancillary services, such as restaurant facilities, which are designed to keep the shopper under one roof and thus to enhance the store's goodwill rather than its immediate profits. Some services undoubtedly entail much greater expense to-day. Credit transactions, ordering by telephone, and free delivery over a wide radius involve considerable booking and transport costs. And such failures as Gamage's (West End) and Glaves illustrate the cost of acquiring (and, by inference, the cost of maintaining) the customer's goodwill. Under the stress of competition, once-familiar names like Shoobreds and the Haymarket Stores have disappeared.

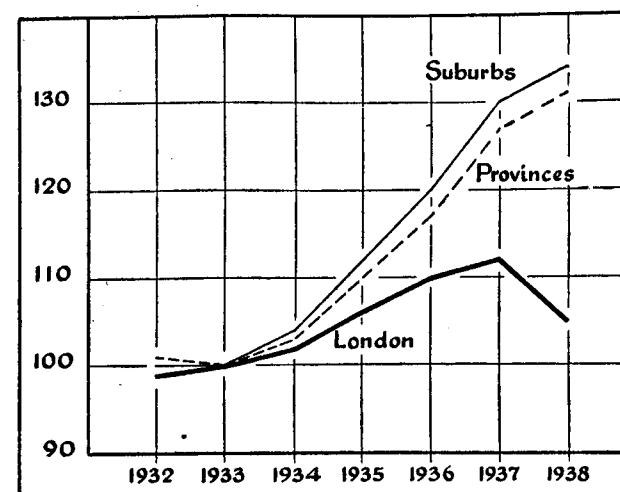
The clientèle of the London department store may perhaps be divided into two classes. There is first a wealthy, but essentially stable, population living in the Central and West End areas. This class accounts for a considerable amount of the stores' turnover, but it is distinctly sensitive to general financial conditions. The second class consists of the enormous suburban and provincial

population which makes occasional pilgrimages to the Mecca of the West End. But this second class, during recent years, has enjoyed the benefit of a substantial improvement in retail trading facilities on its own doorstep. For its ordinary domestic requirements, such as food and simple household equipment and clothing, the suburban and provincial stores offer a service to-day which is scarcely less efficient, and probably more convenient, than the large West End department stores. Hence the suburban shopper comes to the latter mainly for fashion goods and special items of household need. And such categories are plainly affected to a more considerable extent by general economic conditions than the day-to-day needs which are met locally.

This factor may account, in part, for the striking divergence between retail sales in Central and West End London and in London suburbs and the provinces of England and Wales. The index numbers published by the Retail Distributors' Association and the Bank of England (based on 1933) show that sales in the West End and Central London rose by 12 per cent. between 1933 and 1937, while sales in the suburbs and provinces climbed steadily to 130 and 127 per cent. of the 1933 level in the same period. But the average of the monthly figures for 1938 shows a fall in the London index to 105, compared with 112 for 1937, while the suburbs and provinces made further headway. These trends are compared on the chart opposite. In one respect, at least, the evidence of the chart is reassuring. The striking progress of suburban and provincial sales has not been at the absolute expense of the London stores. In part, it may be due to the decline of the small trader and the growth of the chain stores, which are better represented in the index. The fall in London sales for the period February-December last year was of the order of 7.3 per cent., compared with a rise of 2 per cent. for the whole country. It is true that these movements relate to the value of sales and not to the volume of transactions. But between 1933 and 1936 retail prices (other than food) changed comparatively little, and even in 1937, when rising wholesale prices forced a general

marking-up of retail prices, the increase involved did not exceed 6 per cent. on the average. The department stores can also claim credit for an improved rate of stock-turn. For the twelve months ending January, 1931, the rate was 6.37, but by the twelve months ending December, 1937, it had improved to 7.20. This indicator of merchandising efficiency shows, in fact, that the average length of time for which goods are kept in stock has been reduced by about one week over the period. Hence the risk of inventory losses through changes in fashion has been reduced and working capital has been turned to better advantage.

RETAIL SALES INDICES



Price changes, as we have seen, have not proved so difficult a problem as might have been expected in the early months of 1937, but the "mark-up" which they entailed caused a fall in the volume of trade, even though cash sales were maintained. But in the autumn of that year the London stores began to experience a fall in sales, some nine months after Stock Exchange values had turned downwards. The effect of these factors upon department store profits, which are analysed in the following table, has been depressing, though the year to January, 1938, witnessed no reduction in ordinary dividends, except in the special case of Selfridge and Company:—

DEPARTMENT STORE PROFITS AND DIVIDENDS

Company (years to January 31)	Total Profits	Earned for Fixed Charges	Earned for Ord.		Ord. Div.	Ordinary Shares	
			Amt.	Rate		Latest Price	Yield
J. Barker & Co.—	£'000	£'000	£'000	%	%	s. d.	%
1930.....	1,744.3	482.2	412.5	41.6	20	51/3	5.85
1937.....	1,593.8	403.7	334.0	34.9	15	(£1)	
1938.....	1,548.5	358.3	288.6	29.8	15		
Debenhams—							
1930.....	850.4	850.1	201.8	46.9	20%	2/3	9.25
1937.....	727.9	723.8	176.1	40.7	20%	(1/-)	
1938.....	701.2	697.1					
A. W. Gamage—							
1930.....	*41.5	30.5	16.4	3.4	5	17/3	8.70
1937.....	122.0	106.4	86.8	23.8	15	(10s.)	
1938.....	129.1	100.7	81.1	16.6	15		
Harrods—							
1930.....	2,654.5	826.7	526.7	24.7	20	55/-	6.72
1937.....	2,609.4	800.3	500.3	23.9	18½	(£1)	
1938.....	2,713.0	788.8	488.8	23.3	18½		
John Lewis & Co.—							
1930.....	154.3	126.8	14.3	2.0	3	15/7½	6.40
1937.....	317.4	259.2	135.4	16.0	12	(£1 (a))	
1938.....	329.3	250.8	123.3	14.3	12		
Selfridge & Co.—							
1930.....	481.3	352.3	150.8	20.1	20	2/6	Nil
1937.....	485.1	354.6	128.2	17.7	15	(£1 (b))	
1938.....	448.1	281.3	35.9	4.9	8		
Swan & Edgar—							
1930.....	138.1	100.3	100.3	8.7	5	20/7½	6.79
1937.....	129.4	93.1	93.1	7.7	6½	(£1)	
1938.....	133.2	101.8	101.8	8.5	7		

* After deducting expenses.
† first cumulative preference stock.

† Years to July 31st.
(b) Ordinary shares of Gordon Selfridge

Fluctuations in department store profits between good and bad years are relatively moderate, compared with those of industry at large. But dividend policy, in many cases, has reflected the effect of rebuilding schemes. This point is particularly obvious when the record of John Barker and Company is examined. During the past decade the company has set aside no less than £1,661,000 for rebuilding, and broadly speaking the directors have distributed only half of the available profits. This factor, suggestive of increased distributions when the scheme is finished, coupled with the company's ability to earn steady profits during a period of dislocation, accounts for the lower yield basis on the ordinary shares compared, say, with Harrods. The latter company (which effected its improvements at an earlier stage) increased its total profits from £2,271,600 in 1933 to £2,713,000 for 1937-38. But while the trading profits of 1929-30 were comfortably exceeded, the residual earnings for the ordinary shares were considerably reduced. As the company's accounts so clearly suggest, retail trading profits are highly geared, for overhead expenses bear a high ratio to total costs. The net effect for Harrods' shareholders (as indeed for John Barker's) is that the pre-depression rate of dividend has not been restored. But the undistributed earnings margin in the latter case is more substantial.

The prospects for the Selfridge group have occasioned special concern in the market during recent weeks. Despite official denials of rumours reflecting on the position of the group, the Stock Exchange still values the 10 per cent. preferred ordinary stock of Selfridge and Company (which has fallen from 33s. to 11s. 10½d. over the past year) on a 16.8 per cent. yield basis. This very fact suggests that a substantial body of investors is not satisfied with the company's position and prospects. For 1937-38, in fact, the company overdistributed, in order to pay its 8 per cent. ordinary dividend. This payment, costing £60,000 gross, was sufficient to meet the preference dividend of Gordon

YOUR CAPITAL

can earn good interest with absolute security
in London's 85 years old Building Society

3½%

**INCOME
TAX PAID**
equivalent to
£4.16.6
per cent. where
income tax is pay-
able at 5/6 in the £

This remunerative return combined with freedom from fluctuation and facilities for ready realization of your capital without loss, is now offered by the Temperance on Fully Paid Shares of £25 each, and also on Subscribing Shares of £25 each (minimum Subscription, 4/- per month per share).

In financial strength, The Temperance Permanent Building Society believes itself to occupy the premier position among Building Societies throughout the country. Reserves now represent nearly 19% of the combined share and deposit capital and are greatly in excess of those of any large Building Society with Assets of £2,000,000 or over. An application form and full particulars will be sent on request.

TEMPERANCE BUILDING SOCIETY

4, 6 & 8 LUDGATE HILL, LONDON, E.C.4

Manager & Secretary: A. W. Betts, F.C.I.S.
Phone: CITY 2666 (3 Lines) Two Doors from St. Paul's Cathedral
TOTAL ASSETS EXCEED £6,000,000

Selfridge Trust, which owns the ordinary capital of Selfridge and Company. If this preference dividend were to fall into arrears, the preference shareholders would receive equal voting power with the ordinary shareholders who, in effect, control the Selfridge group. Selfridge and Company has adequate reserves to avoid this challenge to the controlling interest, at least for a time, but the problems affecting the group may, if Stock Exchange valuations are any sign, be of a more fundamental nature. Meanwhile, there are two relevant factors in the group's position. First, the managing director's account showed a balance of £119,000 due to the company at the end of January last year, which was secured by the deposit of ordinary stock of Gordon Selfridge Trust. This issue controls the equity of Selfridge and Company, but in the past seven years it has received only two dividends, totalling 7 per cent. Secondly, Selfridge and Company is committed to a guarantee of 25 per cent. on £450,000 cumulative ordinary stock of William Whiteley. This commitment has cost about £40,000 in each of the past two years, and it continues until 1942. Hence the reaction of the Selfridge group to a period of falling profits is double-edged and extremely high-gear.

So far, the store companies discussed are those which sell a wide variety of merchandise. Among the companies which concentrate more on drapery and furnishings, John Lewis and Company deserves attention. In recent years the company has extended its interests by the purchase of Peter Jones in 1933 and Knight and Lee in 1934. These acquisitions have plainly contributed to the strong upward trend of profits—total profits in 1933 were no higher than £170,600. But this group has shown a vitality in recent years which has found its reflection in profits, and it is perhaps somewhat anomalous that its senior preference issue yields practically 6½ per cent. On the other hand, John Lewis' profits are already subject to a considerable

prior rent charge, consisting of the service of the Properties company's debenture and preference capital. Swan and Edgar, whose ordinary dividend was raised from 6½ per cent. to 7 per cent. last year, provides another example of progressive drapery profits. A. W. Gamage, however, appear to have developed the profit-earning capacity of its mail-order business very successfully in recent years. Debenhams is in a class of its own, for in addition to its retail interests (which include Debenham and Freebody, Marshall and Snelgrove, Harvey Nichols, Stagg and Russell, and Bobby and Company) it conducts a wholesale drapery business. But, in addition, its structure is among the most highly-gear in the trade. Its debenture capital, together with three classes of preference capital, amounts to £8,526,738, leaving the small equity of £500,000, in 1s. shares. Moreover, its profits derived from subsidiaries are already subjected to their own gearing. Debenham's have maintained a 20½ per cent. dividend in each of the past two years, but the ordinary shares must be regarded as liable to wide fluctuation.

The interim dividends declared by London store companies provide no hint of any decline in profits. And past experience suggests that, if a decline occurs, it should not be excessive. The investor, however, cannot fail to note the effect of high overheads and prior charges on equity earnings when turnover is falling. Although the stores in Central and West-End London have reduced their sales staff by 7.2 per cent. during the past year, such measures are protective and cannot compensate for falling business. The shadow of falling earnings has been seen for the past sixteen months, and in some cases the profits for the year now closing may be insufficient to maintain ordinary dividends in a second year of recession. It follows that the holder of London store shares must be prepared to look to his earnings cover, if he wishes to avoid the shock of reduced payments.

Finance and Banking

Dr Schacht and the Reichsmark.—The dismissal of Dr Schacht, the "saviour of the mark," from the Reichsbank was bound in any case to lower the external valuation of the mark, and this reaction has been accentuated by the special circumstances attending his dismissal and by the reputation of Dr Funk his successor—an ex-financial journalist with a strong predilection towards inflation and currency devaluation as a method of commercial aggression. Even the official reichsmark rate, which is strictly controlled and moves in the closest relationship with the dollar, weakened on the news from Rm. 11.68½ to Rm. 11.75 to the £, while on the same day sterling was steady at \$4.68. This movement of the official rate was, however, entirely psychological, and does not appear to have been tested by any appreciable business. It was followed by a rapid recovery of the official rate to about Rm. 11.69 at which it has been held steady. The repercussions of Dr Schacht's dismissal, however, have been much more pronounced in the uncontrolled markets for different types of blocked marks. The discount on registered marks has widened from 58½ per cent. immediately before the Reichsbank changes to 63 per cent. Next in order of importance are Handelsmarks (with which credit and emigrant marks are now merged), the discount on which has risen this week from 89 to 92 per cent., which means a depreciation of nearly 30 per cent. The markets in these types of marks have been almost nominal. The slump in tourist traffic to Germany has blocked the only appreciable outlet for the sales of registered marks, while the past week's developments in German finance have been calculated to destroy any remaining incentive to acquire Handelsmarks for making long-term investment in Germany.

The weakening in the registered mark rate may reflect some apprehension on the part of Germany's standstill creditors regarding the ultimate fate of their commitments. Such apprehension can readily be understood. Dr Schacht may have been a keen negotiator and hard bargainer in past standstill discussions, but at least he spoke the same kind of language as the creditors. Both sides dealt in terms of concepts of international trade and finance which were common to each of them. It remains to be seen whether the same can be said of the new personalities at the Reichsbank. The test will come next April when the renewal of the standstill agreement (which on the last occasion was prolonged for three months only) comes up for discussion. On purely logical grounds, the fears of any tampering with the agreement may be dismissed as unreasonable. It provides Germany with an essential volume of external short-term credits which are being used to an increasing extent for financing her external trade, and which could not be obtained at cheaper rates. It is not necessary to be a "moderate" in Germany to appreciate the strength of this case.

The Guilder under Pressure.—Towards the end of last week the guilder suddenly came on offer, and in consequence weakened against most leading currencies. The chief movement occurred last Monday, when sterling rose from Fl. 8.61½ to Fl. 8.64½, the dollar from Fl. 1.84½ to Fl. 1.85½, and the Paris rate from Fl. 4.86½ to Fl. 4.89 per Frs. 100. On that day the Netherlands Bank offered to sell dollars at Fl. 1.85½, and such was the respect felt for its resources that it was able to check the deprecia-

tion of the guilder without selling a single dollar. On Tuesday the guilder was firmer against the dollar at Fl. 1.84½, but the next day the rate weakened again to Fl. 1.85½. Meanwhile, sterling rose to Fl. 8.66½ and the Paris rate to Fl. 4.89½, but the steadiness of the New York rate was of much the greater importance. The primary cause of the guilder's weakness was a new flight of Jewish capital to New York, and this in turn is traceable to the general nervousness felt over the international political situation. French speculators also took advantage of the weakness to sell guilders against francs and dollars, and some Dutch quarters attribute this attack partly to feelings of disappointment at the relative failure of last week's Fl. 100 millions 4 per cent. French Railway Conversion Loan. Fl. 30 millions of this loan was taken firm, but the remainder was offered on the market at 95 and evoked a poor response. Incidentally, a striking contrast came the next day, when a Dutch Oil 3½ per cent. Loan for Fl. 100 millions was offered at 100½ and heavily over-subscribed. Holland is now the repository of a huge amount of refugee capital, and so must be prepared to suffer the same disturbances as Great Britain experienced last year. On the other hand, the Dutch gold reserves are very strong. The Netherlands Bank holds Fl. 1,461 millions, which has never been revalued and which is to-day worth nearly Fl. 1,800 millions. The Dutch Exchange Equalisation Account of Fl. 350 millions probably consists almost entirely of gold. There is also a steady commercial demand for guilders, while this week's flurry may have left a short guilder position on the Continent. The Dutch banks were long ago asked not to facilitate speculation, and while there are no restrictions analogous to those now in force in London, these would rapidly be applied if a serious flight of capital developed. Certainly, Dutch banking opinion is not perturbed at this week's fractional drop in the guilder.

December Clearing Bank Averages.—The December returns of the ten English clearing banks give the average position over the whole month, and so are hardly affected by the preparation for the end of the year. Thus the increase since November in clearing bank cash has no connection with year-end calling. Rather it reflects the release, through the War Loan dividend payment, of funds accumulated during November in public deposits. These were Exchange Account funds, and what really happened was that the increase in the floating debt, necessitated by the War Loan dividend payment, took the form of issues of

tap Treasury bills to the Exchange Account. The Account continued to acquire bills during December, and this led to a progressive decrease in the tender issue. Hence the month's drop in clearing bank discounts, only partially mitigated by an increase in call and short loans.

(In £ millions)

	Dec., 1937	Aug., 1938	Sept., 1938	Oct., 1938	Nov., 1938	Dec., 1938
Capital and reserves	133.3	136.0	136.0	136.0	136.0	136.0
Acceptances, etc.	114.0	115.5	121.9	129.3	128.5	128.5
Deposits (including undivided profits, etc.)	2,293.3	2,262.4	2,233.4	2,219.7	2,212.2	2,217.7
Total liabilities	2,540.6	2,513.9	2,491.3	2,485.0	2,476.7	2,481.7
Cash	241.0	237.8	230.7	230.7	229.3	240.0
Cheques, balances and items in transit	77.9	59.2	54.5	61.8	62.1	70.0
Money at call	158.5	150.2	145.6	145.4	144.9	155.5
Discounts	298.5	303.2	287.5	266.8	271.0	248.8
Investments	620.4	627.2	631.4	631.1	628.0	620.0
Loans and advances	962.5	953.1	951.9	952.0	944.6	949.9
Investments in affiliated banks	23.7	23.9	23.9	23.9	23.9	24.0
Cover for acceptances, premises, etc.	158.1	159.3	165.8	173.3	172.9	172.0
Total assets	2,540.6	2,513.9	2,491.3	2,485.0	2,476.7	2,481.7

December also witnessed some increase in balances with other banks and cheques in course of collection. This represents the more active circulation of cheques in connection with Christmas. Advances were rather higher than in November, and this has apparently necessitated some reduction in the banks' investments, for even in December advances plus investments were up to the normal maximum ratio of about 70 per cent. of deposits. The net result of these contradictory movements was a small increase in deposits.

Currency War in China.—A currency war between the dollar notes issued by the three Chinese banks and the yuan notes issued by the Reserve Bank of Peiping is proceeding alongside the military struggle—with somewhat analogous results. The yuan notes issued by the Japanese puppet institution had an extremely difficult and unpromising start, but they are slowly ousting the currency issued under the authority of the Chinese Government through the Central Bank of China, the Bank of Commerce and the Bank of China. The whole of the expenditure of the army of occupation met by yuan notes which, moreover, have been decreed as the sole means of payment of taxes and customs due

WILLIAMS DEACON'S BANK LTD.

(Member of the London Bankers Clearing House)

PRINCIPAL LONDON OFFICES:
20 BIRCHIN LANE, E.C.3 | 9 PALL MALL, S.W.1
PRINCIPAL MANCHESTER OFFICES:
MOSLEY STREET | ST. ANN STREET

OTHER OFFICES THROUGHOUT LONDON, LANCASHIRE, YORKSHIRE, CHESHIRE, DERBYSHIRE, STAFFORDSHIRE AND NORTH WALES

**THE BANK ACTS AS EXECUTOR AND TRUSTEE
HOME and OVERSEAS BANKING FACILITIES at ALL OFFICES OF THE BANK**

CAPITAL ISSUED	...	...	...	...	...	...	£ 8,125,000
CAPITAL PAID UP	...	...	...	...	...	...	1,875,000
RESERVE FUND	...	...	...	...	...	...	900,000
CURRENT AND DEPOSIT ACCOUNTS	...	...	...	...	...	...	38,334,988
CASH IN HAND AND AT BANK OF ENGLAND	...	...	...	...	...	...	4,406,153
MONEY AT CALL AND SHORT NOTICE	...	...	...	...	...	...	5,887,068
INVESTMENTS	...	...	...	...	...	...	11,561,672
BILLS DISCOUNTED	...	...	...	...	...	...	1,564,094
ADVANCES	...	...	...	...	...	...	14,175,044

31st December, 1938

Mr Frederick Hyde.—The death of Mr Frederick Hyde, who from 1929 until last year was sole managing director of the Midland Bank, leaves another gap in the ranks of those who were responsible for the amalgamations which gave birth to the big banking combinations of today. Mr Hyde will be remembered in the banking world for his work in co-ordinating the accounting methods used by the various banks of which the Midland Bank became the amalgam. His system of branch control and accounting is used by many overseas banks. To a wider public his evidence before the Macmillan Commission has now become the classic exposition of the way in which a modern bank regulates its advances. But to those who really knew him Mr Hyde leaves a different memory. As managing director he was always ready to give the utmost sympathy and encouragement to any member of the enormous and widespread Midland Bank staff. He took care to see that every man received due recognition and credit for his work, and in this way "F.H.," as he was known in the bank, inspired a hero worship, even among juniors in remote branches who never came in contact with him. On his retirement last year a large presentation fund was subscribed by the staff. It was typical of Mr Hyde that he asked that the major part of this fund should be used to endow a prize to be given by the Institute of Bankers in connection with their new higher diploma for banking. This is the tangible memorial to Mr Hyde. It is the memorial which he himself would most have desired to leave behind him.

Sun Life Assurance Report.—The Sun Life is the first insurance report to appear each year, and is invariably examined with particular interest. In 1938, new sums assured amounted to £21,660,000, a figure which is second only to the record of £22,010,000 secured in 1937. Consideration moneys for annuities granted were slightly smaller at £190,000. The net rate of interest earned on the life assurance and annuity funds fell from £4 0s. 7d. per cent., to £3 18s. per cent. Premium income, exclusive of single premiums, showed a large and satisfactory increase of roughly £350,000 to £4,878,000, while death claims amounted to £1,278,000 against £1,071,000. In pursuance of the investment policy of recent years, a further reduction was effected in total investments outside the United Kingdom, and mortgages again increased. Property loans (all within the United Kingdom) amounted at the end of 1936 to £3,959,000, at the end of the following year to £4,725,000 and on December 31st last increased further to £5,494,000. A large portion of these mortgages are doubtless connected with house purchase schemes, which have the valuable feature of attracting life assurance business. Policy loans were further reduced from £2,643,000 to £2,459,000. British Government securities increased by approximately £500,000 to £10,900,000; on the other hand, Colonial and Foreign Government securities were again substantially reduced from £5,070,000 to £4,549,000. Debentures increased by nearly £1 million to £11,150,000, and combined preference and ordinary shares remained practically unchanged at the comparatively small figure of £1,200,000.

Investment

Prey to Politics.—The behaviour of the Stock Exchange for the first three weeks of this year was ominously reminiscent of the uneasy August dealings last year. And the pattern has been disagreeably confirmed this week by two major setbacks, both of them directly traceable to the resurgence of political fear. Wall Street actually gave a sign of what was in store for London, by staging a fall of 2½ points in the Dow Jones industrial average on Saturday of last week. London took its unhappy cue on Monday, when heavy selling depressed gilt-edged, foreign bonds and equity prices. After a short respite on Tuesday—or more, accurately, a closing rally which put gilt-edged stocks slightly higher on balance—the falls were resumed on Wednesday. There is, of course, no necessity to discuss the causes of this retreat in detail. The dismissal of Dr Schacht has been interpreted as a victory for the extreme party elements in Germany, and has received, therefore, political rather than economic emphasis. The fall of Barcelona has removed a blind spot from the eyes of some investors which has hitherto prevented them from realising the strategic implications of the Spanish civil war. The calling-up of Italian conscripts and the approach of Herr Hitler's speech have reminded the world that diplomatic initiative lies with the Axis powers. And the world has not been slow to sell its securities.

The result is that many securities—gilt-edged, industrials and mining shares alike—stand to-day at levels lower than those of the September crisis. Movements in representative securities since that date are shown in the following table.

	Sept. 28, 1938	End 1938	Jan. 20, 1939	Jan. 23, 1939	Jan. 25, 1939	Jan. 26, 1939	Fall this Week
Consols 2½%	68	70½	70	69½	69½	68½	1¼
Conversion 3½%	96	98½	98½	97½	97½	97½	1½
War Loan 3½%	97	98½	97½	97½	96½	96½	1½
National Def. 3%	95	97½	95½	94½	94½	94½	1½
German 5%	32½	44	34	30½	31	30½	3½
do. 4½%	27½	33½	25½	25½	23½	22½	3
Southern Pref.	49	57½	55½	53½	51	49½	6
British Oxygen (£1)	3½	3½	3½	3½	3½	3½	1½
Cable and Wireless Ord.	37½	35½	38½	37½	37	36	2½
General Electric (£1)	72½	76½	74½	73½	71½	71½	3½
Harrods (£1)	57½	58½	58½	56½	55½	55½	3½
Turner and Newall (£1)	69½	77½	74½	72½	71½	70½	4½
Grootvlei (£1)	4½	4½	4½	4	3½	4	1½
West Wits (10/-)	6½	6½	5½	4½	4½	4½	1½
Rhokana (£1)	10½	12½	10½	10½	9½	9½	1
Anglo-Iranian (£1)	4½	4½	4½	4½	4½	4½	1½
"Shell" Transport (£1)	4½	4½	4½	4½	4½	4½	1½
Allied Sumatra (£1)	12½	14½	13½	13½	13½	12½	1½
Malayalam (£1)	25½	28½	27½	27½	26½	26½	1½
Financial News Indices							
Fixed Interest Secs.	120.0	123.3	121.9	121.3	120.5	120.1	1.8
Ordinary Shares	73.7	80.4	77.3	75.8	74.6	73.7	3.6

It is hardly surprising that falls of this order have uncovered certain positions in London. Until recently, the technical strength of the market had been fairly resistant to selling—but now a new purge of weak positions may be inevitable. Losses of this week's order are not easily regained, at the best of times. And the Stock Exchange dare not hope that the causes of its uneasiness will be quickly removed.

Imperial Tobacco Profits.—Last month the Stock Exchange Committee suggested a standard form for dividend and preliminary profit statements. It is rather disappointing that a company of the standing of Imperial Tobacco has failed to set an example to smaller concerns in this matter. The utility of the Committee's suggested form is, in fact, underlined by the Imperial Tobacco figures, for it is necessary to deduce from the information given an approximate profits figure, since the latter is not specifically stated by the board. The distribution, following general expectations, has been maintained at 25 per cent

tax free, but disclosed profits have fallen from £10,750,609 to £10,685,565 (approximately), while ordinary earnings are slightly reduced from 26.4 per cent. to 26.2 per cent., tax free. The results are analysed in the following table:—

	Years ended October 31		
	1936	1937	1938
	£	£	£
Profit	10,636,316	10,750,609	10,685,565*
Preference divs.	852,209	852,209	852,209
Ordinary stock (tax free):			
Earned	9,784,107	9,898,400	9,833,356
Paid	9,390,762	9,390,762	9,390,762
Earned %	26.0	26.4	26.2
Paid %	25	25	25
General reserve	250,000	250,000	500,000
Carry-forward	1,183,767	1,441,405	1,384,000*

* Approximate figures.

The apparent fall in profits is, in fact, more than accounted for by the rise in the standard rate of income tax during the year and by the incidence of a full year's National Defence Contribution, compared with only seven months' payment for 1936-37. Unless there is any specific importance in the doubling of the general reserve provision to £500,000 (which entails a reduction in the carry-forward to £1,384,000), the figures contain no surprises, and they must be regarded as satisfactory. The amount of tobacco retained for home consumption for the eleven months to November showed a further increase from 168.4 million lbs. in 1937 to 175 million lbs. for the same period of 1938, but the average import price of unmanufactured tobacco rose last year from 15.54d. per lb. to 15.8d. per lb. The growing use of Empire leaf may already indicate a slight shift of demand towards cheaper varieties, and although the impact of rising leaf prices is cushioned by the company's stock equalisation policy, it must have some influence upon earning power. Presumably, the failure of British American Tobacco to repeat the 1½ per cent. bonus for the year to September 30, 1938, will affect the current year's revenue account. The sum of these factors suggests that Imperial Tobacco is not likely to expand its earnings during the current year. On a gross basis the £1 ordinary stock units at 6½ yield £5 12s. 6d. per cent.

Cables and Wireless Earnings.—The Cables and Wireless traffic index is now available for the full year 1938, but the task of estimating the financial results for the year is, on this occasion, peculiarly complicated, since the comprehensive reduction and simplification of Empire rates came into force at the end of April. Hence the traffic index is a poor guide to the net revenue position, for while it provides an indication of the course of receipts, it does not show the movement of the volume of traffic. The average of the twelve monthly indices is 69.3 compared with 78.9 for 1937—a movement which suggests a fall in gross receipts of £612,000. On the other hand, the beam rental of £250,000 per annum was cancelled with effect from March 1st, thus providing savings of £208,000 for 1938. Moreover, the Company was relieved of certain other financial obligations, and the Governments concerned in the agreements agreed to reduce their terminal and transit rates. It is impossible to estimate the power of these factors to offset an otherwise inevitable rise in the operating expense ratio. The other items of income of the operating Company, such as charter of ships and income from investments, must also be expected to show a decline, perhaps of not less than £50,000. On this basis the operating company's net profits may not show a smaller decline than £400,000 to about £450,000, which would mean a fall in earnings to about 3 per cent. But last year the directors set aside £300,000 which was specifically earmarked for equalisation of dividends. Taking this reserve into account, the Communications company might well be able to maintain the dividend rate at 3½ per cent. by dipping into the fund for no more than £150,000.

The amount received by the Holding company from the Communications dividend would be reduced as the result of the transfer to the Government of 2,600,000 £1 Communications shares at the time of the agreement. On a 3½ per cent. dividend basis, this would represent a loss of income of £91,000. Of the income from other sources, the Marconi interim dividend was increased from 2½ per cent. to 3½ per cent., and while the Cables Investment Trust income for the 12 months to June 30, 1939, must show some reduction, there is no reason to think that the Trust's interim dividend of 2 per cent. need be reduced (in which case the Holding company's receipts for the calendar year from this source would be unchanged). Directly-owned investments may, at a guess, be estimated to yield £10,000 less. In short, the revenue of the Holding company need not be reduced by more than £100,000 or so. This would cover the amount required for the 5½ per cent. Preference dividend and almost 3 per cent. on the ordinary capital. Were the Communications company to distribute current earnings in full and to utilise the whole of the £300,000 reserved, then the Holding company might be able to maintain its Ordinary dividend at 4 per cent. Such a generous policy could hardly be considered conservative, however, in view of the continuing adverse traffic trend. Moreover, it is equally pertinent to observe that, on the above chain of hypotheses, actual earnings for the year applicable to the Holding company's Ordinary may possibly not exceed 2 per cent.

Investment Trust Results.—A considerable number of investment trusts have issued their reports for the year 1938, and broadly they confirm the trend set up by reports issued last autumn. The majority of recent reports show a fall in income—a fact which suggests that the traditional time-lag has proved an inadequate brake upon declining profits, though it can be attributed in part to the earlier impact of depression in the U.S.A.

MARTINS BANK LIMITED

Every Banking Service

Capital Paid Up and Reserves - - £8,038,772
Deposits, etc., at 31st Dec., 1938 - - £100,038,392
Total Assets £116,607,645

LONDON DISTRICT HEAD OFFICE:
68 LOMBARD STREET, E.C.3

HEAD OFFICE:
WATER STREET, LIVERPOOL, 2
587 BRANCHES



DON'T BE VAGUE -
ASK FOR
Haig

But although lower equity earnings are the rule, many ordinary dividends are being maintained. The following table summarises the revenue and capital position of six of the larger trust companies:—

Trust (years to December 31)	Total Rev.	Ordinary Stk. Earned		Ord. Div.	Portfolio distrib.		Appn. or Depn.	Ord. Stk.	
		Amt.	%		Ord. shs.	Eur. ope.		Price	Yield
Law Deb. Cpn.									
1936	108,184	57,352	16.0	14	...	...	+	4 3/4	5.90
1937	106,103	53,545	15.4	14	...	...	+	4 3/4	
1938	91,920	40,694	12.9	14	...	...	+	4 3/4	
Debent. Corp.									
1936	239,364	92,927	12.0	10	17	15	+	209 1/2	4.77
1937	249,136	95,146	12.7	10	19	15	+	209 1/2	
1938	241,902	88,965	12.3	10	20	13	+	209 1/2	
Gen. Cons. Inv.									
1936	85,666	27,051	8.9	6	50	13	+	111 1/2	6.28
1937	106,859	34,483	11.5	7	52	11	+	111 1/2	
1938	99,819	29,710	10.2	7	52	10	+	111 1/2	
Metrop. Trust†									
1936	167,170	66,406	13.8	12	34	6	+	207 1/2	5.78
1937	177,304	71,354	15.1	12	35	7	+	207 1/2	
1938	164,259	60,674	13.2	12	35	5	+	207 1/2	
Minium Inv.									
1936	90,875	10,422	2.1	2 1/2	...	...	+	43 1/2	8.05
1937	102,940	22,221	4.7	3 1/2	...	...	+	43 1/2	
1938†	121,850	20,934	3.3	3 1/2	...	...	+	43 1/2	
Scot. Utd. Inv.									
1936	141,737	30,826	8.3	5	62	6	+	82 1/2	6.06
1937	153,890	38,364	10.5	5	58	6	+	82 1/2	
1938	136,260	24,897	7.1	5	55	4	+	82 1/2	

* Proportion by which valuation of investment exceeds (+) or falls short of (−) book values. † Years to following January 1 or 2. ‡ Income, and dividends, etc., paid, shown gross for 1938; previously net.

By its business, its capitalisation, and its division of securities into separate funds, the *Law Debenture Corporation* is not a representative trust, but its results for last year illustrate the general experience. Investment income declined by about 8 per cent. (some 82 per cent. of the main portfolio is in bonds and debentures), but profit from the sale of securities fell from £16,789 to £4,691. The Corporation is, however, the only trust in the list to show a surplus over book values. The depreciation recorded by other companies varies, but frequently the deficiency is not covered by reserves. Of the five remaining trusts, *Debenture Corporation* shows the best cover, for depreciation requires only about one-third of available reserves. Distribution of investments, geographically and by categories, shows only fractional changes during the past two years, which are of no special significance. Perhaps the most consistent among these small variations is the decline in the proportion domiciled in European countries. Falling revenues and a substantial degree of depreciation, however, are the key features of 1938 investment trust reports.

Tilling and B.A.T.—The total income of Tilling and British Automobile Traction increased last year from £474,978 to £550,800. That is the main fact in a report which is otherwise content to provide the minimum of information to the shareholders. The total distribution is 9 per cent. tax free, compared with 10 per cent. gross for 1937, and is equivalent to 12.42 per cent. on a gross basis. The distribution, however, is not quite covered by disclosed earnings, which are equivalent to 8.9 per cent. tax free, and the balance carried forward has been reduced by

approximately £5,000. The results, however, are clearly most satisfactory. They would be read with even more eagerness if the directors were to see their way to provide fuller information regarding the assets and earnings of the associated companies in the group. The balance sheet shows that these interests (including capitalised bonus shares) amount to £4,344,746, while shares in subsidiaries stand at £114,733. Presumably the usual form of consolidated statement might not be applicable to this type of grouping, although the distinction between associated and subsidiary companies (for group accounting purposes at least) is often rather vague. Other companies with the same accounting problem have adopted such expedients as summary balance sheets and profit and loss accounts, and while Tilling and B.A.T. has interests in no less than 24 provincial transport undertakings, fuller information regarding the more important units would be appreciated by shareholders. The ordinary shares yield £5 per cent. gross at 51s. 3d.

Amalgamated Cotton Setback.—The fall in Amalgamated Cotton Mills Trust profits for 1937-38 is no less serious than the setback shown by Lancashire Cotton Corporations. Trading profits of the group are about £100,000 lower at £166,814, and total receipts for the parent company amount to £120,977 against £219,181. Provision, however, has already been made for stock depreciation, whereas in 1936-37 a special fund of £30,000 was created for the purpose out of profits. This fund has not been drawn upon, and has been transferred to general reserve, which is increased to £100,000. Despite the conservative valuation of stocks, however, the book value of subsidiaries' stocks has increased from £405,098 to £458,671, though the Trust's own stocks are only £8,000 higher at £551,110. The balance of earnings available for the Trust ordinary shares is £31,472 (against £89,581, after charging the special stock reserve), and represents 15.7 per cent. tax free. A year ago (the first year since capital reorganisation), only one-fifth of the earnings was distributed, and it has thus been possible to maintain the 8 1/2 per cent. tax free distribution on the highly-g geared ordinary shares, even out of the latest year's attenuated profits. But the surplus is only sufficient to add £14,740 to the balance carried forward. Meanwhile the outlook for the cotton industry remains obscure. Hopes that all sections of the industry would support the Enabling Bill have been checked, for the time being, by opposition from the Manchester Chamber of Commerce, where a vote adverse to the Bill was recorded—something unexpectedly—last Wednesday. Already five unsatisfactory months have elapsed in the Trust's current year, and the potential benefits of the Enabling Bill would not be reaped before it elapses. A yield of 10 per cent. gross on the ordinary shares is, therefore, appropriate to current trading conditions.

The Week's Reorganisation Schemes.—Happy is the company which can reshape itself, in the hope of better times ahead, by a simple equity capital cut. The reorganisation schemes presented by Burtol Cleaners and Sheffield Steel Products are both of this nature. The former company, incorporated in 1934, has an issued capital of £250,000 in 5s. shares, and showed a debit balance at profit and loss of £14,950 at September last. It acquired for £146,753 goodwill, patents and trade marks which have singularly failed to provide commensurate earnings. These are to be written down to £11,000, and with other write-offs on property, furniture and preliminary expenses, entail cancellation of £200,000 of the ordinary capital. Since the directors estimate that the 1938 results on the reorganised basis would have amounted to £5,000, the capital structure is being brought into reasonable line with earnings. The reference to a reduction in depreciation, consequent upon the writing down of fixed assets, however, does not absolve the company from the task of earning sufficient profits to replace its assets, at cost and not book values. The issued ordinary capital of Sheffield Steel Products is to be

reduced by two-thirds from £558,262 to £186,087. In this instance, intangible items, including the loss carried forward, amount to £86,000. Finally, the full scheme of reorganisation has now been circulated by the directors of Cordoba Central Railway. It confirms the favourable interpretation of the preliminary details given in *The Economist* of January 14th, page 86. The directors point out that after payment of all expenses and the service of the first debenture stock, the balance of liquid assets will amount to between £350,000 and £400,000, which, together with interest on the State railway bonds, should provide sufficient income to cover between 3 per cent. and 4 per cent. on the new "B" debenture stock. The yield on the latter (inferred from the present prices of income debentures and consolidated income stock) would amount to 8 1/2 per cent. on a 3 1/2 per cent. payment.

Rhodesian Copper Earnings.—The announcement by Rhokana Corporation of profits of £896,000 for the half-year to December 31st (subject to income tax, but not including any dividend from Mufulira) undoubtedly satisfied the market, and does not account for this week's fall in the shares from 10 1/2 to 9 1/2. The figure in fact compares with £869,000 for the previous six months, and £1,136,000 for the corresponding half-year of 1937. The Roan Antelope earnings estimate (also subject to tax) for the December quarter shows a substantial expansion at £461,500, compared with £250,500 for the September quarter. In the latter period, of course, production was at 95 per cent. of basic quotas, whereas the companies were freed from restriction for two months of the past quarter, and operated at an average of 100 per cent. for the other month. Copper prices also rose from an average of £40 15s. 10d. to £44 16s. 10d. during the quarter. A similar increase in earnings is also shown by Mufulira for the December quarter at £345,500 against £201,500 for September. This company has produced £547,000 during its first half-year, against £564,500 for the corresponding period of 1937, and provided that current prices are maintained at the existing level of output (100 per cent. of basic quotas) a higher dividend may be payable to Rhokana. But both assumptions are rather less certain than they were. It is difficult to make any precise estimate of possible earnings during the current half-year. But if the quota is maintained at 100 per cent. and copper averages £45 (which is understood to be the objective of the authorities), Rhokana's copper earnings, allowing nothing for Mufulira dividends or cobalt revenues, might well be of the order of £850,000, while Roan Antelope and Mufulira might earn £660,000 and £550,000 respectively.

Ashanti Goldfields Report.—Little change has occurred in the results of this veteran West African gold producer during recent years. A tendency towards increased costs has been more than offset by expansion in revenue. Moreover, the increase of 1.3 dwts. in the average value of the reserves occurred despite the treatment of ore averaging fully 1 1/2 dwts. above the grade shown by the reserves at the end of September, 1937. The notable expansion in the ore reserve tonnage reflects highly satisfactory development not only in the deep levels, but also in certain immediate portions of the mine. The results of the past three years are analysed below:—

	Year to September		
	1936	1937	1938
Ore treated, tons	213,710	216,600	224,120
Average yield, dwts. ...	19.31	20.19	21.8
Total income	£1,503,930	£1,598,260	£1,659,730
Revenue per ton ...	140/9	147/7	148/4
Working costs	26/1	28/2	29/2
Net profit	£964,920	£1,014,040	£1,042,060
Per ton	90/4	93/8	93/2
Dividends	£950,000	£950,000	£950,000
Per cent.	95	95	95
Carried forward*	£134,400	£100,360	£112,430
Ore reserves, tons	1,458,030	1,595,110	1,834,290
Average value, dwts. ...	20	19.7	21

* After allowances for income tax, reserve, etc.

As already announced, the capacity of the new treatment plant is to be 30,000 tons a month and not 20,000 tons as originally contemplated. The consulting engineer declares that "the position generally warrants a larger and longer view of the future of the mine." Meanwhile, a monthly profit of about £100,000 is budgeted, and this figure will probably be maintained until the 30,000-ton stage has been reached. The proceeds from the residue re-treatment plant (practically completed by the end of the year) and from certain improvements at the Central treatment plant, may be offset by reduction in the grade of ore treated. During the period of waiting, the company may accordingly do no more than maintain its dividend upon the increased capital at the recent rate. At the current price, allowing for the bonus of one in five and the bonus issue of one in 20 at £3, the shares would return about 5 1/2 per cent. on this basis, until the increased profits are available for distribution. The report makes no reference to the necessity for providing additional capital for Amalgamated Banket and Ariston, in which the Ashanti is understood to hold substantial interests. The balance sheet, however, shows British Government securities, below market value, at £208,060 (against £363,520), while shares and interests in other companies are somewhat increased to £722,930. Cash and bullion amounted to £183,550, against creditors and other items totalling £285,380.

Bibiani.—Last year's income of £311,500 compares with £303,940 for 1936-37. But owing partly to native labour troubles, net profit at £83,130 shows a decrease of some £25,200. Once again 15 per cent. has been paid, and the slightly increased balance of £90,070 is carried forward. The chief feature of the report lies in the increase of 153,870 tons in the ore reserves to 2,961,670 tons, the value being unchanged at 7.25 dwts. The new plant is expected to start in June, but not to operate at full capacity until towards the end of the current financial year, when on the basis of full operation a monthly revenue of £64,680 is expected—rather more than double the present yield. Meanwhile, the 4s. shares are quoted at 22s. 9d.

Rand Selection Corporation.—The falling-off in last year's profits of Rand Selection proves to have been much greater than might have been inferred from the cut in the dividend to 40 per cent. There is a new charge of £8,100 for interest on the £1,000,000 5 per cent. convertible notes issued during the period; but with earnings on a lower scale, only £25,000 is required for tax reserve as against £125,000, while no further appropriation is made to reserve, which in 1936-37 received £200,000. Underwriting commission and expenses in connection with the note issue absorbed £27,830; and after providing for the dividend, a slightly increased balance of £104,940 is carried forward. The bulk of the money received from the



**FOR ALL
INSURANCE
NEEDS**

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

INSURANCE

CONSULT
THE
LIVERPOOL
AND
LONDON
AND
GLOBE
INSURANCE CO., LTD.

FIRE · LIFE · MOTOR · ACCIDENT · MARINE

Head Office: 1 Dale Street, Liverpool, 2
London: (Chief Office) 1 Cornhill, E.C.3

note issue has meantime been utilised for loans, which total £1,192,660, as against £485,660 twelve months ago. Shares and other interests stand at £2,479,430, as compared with £2,282,850 at September, 1937. The notes will, of course, rank for interest in respect of the whole of the current financial year. The company has apparently realised the interest previously held in Rietfontein No. 11 and the Spaarwater undertakings. As usual, the assets exceed by "a substantial amount" the figure at which they appear in the balance sheet. A current price of 23s. 9d. may be regarded as making some allowance for the rather uncertain outlook.

Commonwealth Mining Scheme.—The long-expected capital reorganisation scheme of Commonwealth Mining has now appeared. It is likely to encounter criticism on two grounds—first, that it discusses the group's interests very briefly indeed, and secondly that although it involves writing down the capital by one-half it may be none too severe. Despite the optimism prevailing when several of the company's subsidiaries were floated, the circular very truly says that they "have not lived up to expectations." Certain other investments have also depreciated in value. On the other hand, substantial profits have for many months past been reported by the Yellowdine and Comet undertakings, though in the former case earnings have shrunk from around £16,000 in the middle of the year to around £12,000 in the last month or two. But by contrast the profits of Comet have in the meantime expanded from under £2,000 to around about £3,000. The official circular, however, makes no specific reference to these two interests, which are considered to be the most hopeful among the company's holdings. Apparently the idea is entertained that they may provide partial compensation for losses in other directions. The market price of the existing 5s. shares is 1s. 4½d., and a cut in the par value to something approaching this level might have been sounder policy than the one proposed.

The Week's Company Profits.—Our usual analysis of profit and loss accounts on page 230 includes, apart from three companies for which comparable figures

are not available, the results of some 36 companies, among which investment trusts are well represented. Net profits amount to £1,799,000, compared with £1,711,000, and thus show an increase of 5 per cent. The aggregate net earnings of 111 companies reporting in 1939 amount to £13,697,000, a total which is 7 per cent. below total earnings of £14,705,000 for the previous year. The week's results are discussed in preceding Notes and on page 196 under the heading "Shorter Comments."

Company Meetings of the Week.—In this issue reports of company meetings begin on page 202. The chairmen's speeches at the annual bank meetings (the latter include *Midland Bank, National Provincial Bank, Westminster Bank, District Bank, Williams Deacon's Bank and Martins Bank*) form the subject of a leading article on page 183. Addressing *Turner and Newall* shareholders, Sir Samuel Turner expressed satisfaction with the progress of *Turners Asbestos Cement Company*. The new Trafford Park buildings and plant reorganisation had been practically completed, and on the selling side turnover as a whole had been substantially higher than in any previous year, both in the home and export markets. Mr Eric Miller informed *United Serdang (Sumatra)* shareholders that at the end of 1938 stocks of tyres and other rubber goods in the hands of manufacturers and dealers were probably lower than at the end of 1937. At the *Langen (Java) Rubber* meeting, Mr Miller pointed out that as the N.E.I. quotas for 1939 were appreciably higher than in 1938, internal cuts in the exportable rate should be less severe. Addressing members of *The National Bank*, Mr Michael J. Cooke stressed the importance and value of the trade agreements between England and Eire and the United States of America. The technique of amortisation on short-term securities carrying a high nominal rate of interest was discussed by Sir William Goschen at the *Union Discount Company* meeting. The importance of the New Zealand import regulations for *Joseph Nathan and Company* was examined by Mr Alec Nathan. Although further information was needed to judge their effects, the chairman anticipated that the company's import business would be maintained without material alteration.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
FEBRUARY 7 FEBRUARY 9

THE Stock Exchange has been at the mercy of politics this week and appreciable selling, much of it from Continental quarters, has depressed prices to the lowest point touched since last September's crisis. The falls have been so precipitate that some positions have

been uncovered, particularly in the American market, although so far no serious technical weakness has developed. Forced selling, however, was a definite factor in the week's setback, and it was only relieved by "bear" covering at the end of the week.

In the *gilt-edged market*, Old Consols and War Loan fell ½ and Local Loans ¾ on Monday. On the following day, a weak opening was succeeded by a late rally, and many stocks showed net rises of one-eighth. In midweek, however, further selling occurred, and despite

a steadier feeling in the afternoon, falls of up to ¾ were recorded in gilt edged, and were repeated on Thursday. The Jamaica loan improved to 1½ discount in midweek and encouraged the Colonial section of the market slightly.

Sharp falls were recorded in *German bonds*, the "Dawes" loan falling 3½ and the "Young" loan 3 on Monday, though a rally on Tuesday was held. Potash 7 per cents. were a weak feature, having fallen no less than 6½ points to 58½ by midweek. Further weakness was evident in Egyptian issues and although Far Eastern bonds were not a target for selling, they were quoted lower where changed. Brazilian issues were fairly steady, but Chilean bonds were marked down on the news of the earthquake.

Home rail stocks proved vulnerable to a fair volume of selling, in every department. L. and N.E. debenture issues were particularly weak, and this line also led the fall in guaranteed stocks. L.M.S. first preference were marked down sharply on dividend fears, and the condition of the market after an unfavourable batch of traffics and certain doubts about the "Square Deal" was extremely weak. London Transport "C" stock weakened further to 71. The Argentine rail market was depressed, although selling was not unduly large; Pacific Consolidated debentures led the fall.

Although it showed some resistance on Tuesday and early on Thursday, the industrial market deteriorated considerably during the week. Selling did not reach large proportions, but buying support was completely absent. Although selling pressure relaxed after Monday, the trend in iron and steel shares was downward, Thornycroft being among the worst victims. Coal shares continued dull, and engineering issues showed small losses. The general weakness affected even electricity supply shares, besides electrical equipment issues. In the motor group, the "heavies" were the most affected, although a steadier tone developed on Tuesday. Exceptionally, A.E.C. hardened, but Leyland lost ground after the meeting. While sharing in the general movements, Aircraft issues also became steadier on Tuesday. Textiles showed small losses, apart from some support for Jute Industries preference. Except for a slight rally in Courtaulds on Tuesday and Thursday, rayon shares were weak. Brewery shares followed the rest of the market, and the normally steady tobacco group also lost ground. Stores were depressed, and losses were general in the provision and catering section, especially in Liebig's. Miscellaneous issues were typical of the rest of the market. Foreign selling depressed Lever and Unilever and Swedish Match "B," though they recovered slightly on Thursday. International issues fell sharply on Monday, and turned erratic after a steadier tendency on Tuesday.

While selling did not gather real momentum, sales of the leading oil issues depressed prices, which were further weakened by a precautionary marking down. A little support from the Continent—who were otherwise sellers—brought temporary relief on Tuesday and again on Thursday. Rubber shares suffered less severely than industrials on Monday, but quotations gave way all round under a steady trickle of sales.

The mining market had another bad week, and Tuesday's rally did not go far towards cancelling the losses of the other days. In the Kaffir section, depressed conditions on Monday were largely due to Cape and Amsterdam selling, though quotations were lowered out of proportion to its volume. Steadier nerves at the Cape brought some respite on Tuesday, but weakness returned later, helped this time by Swiss and local selling as well. West African and diamond issues followed Kaffirs. Rhodesian copper shares resisted further declines on Tuesday, but base metal shares generally moved in step with other sections.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Jan. 20	5,605	6,560	77.3	121.9
Jan. 23	6,750	7,690	75.8	121.3
Jan. 24	5,810	6,475	75.6	121.1
Jan. 25	5,835	6,415	74.6	120.5
Jan. 26	5,810	6,615	73.7	120.1
1939 High...	...	...	80.7	123.5
Low...	...	...	Jan. 3 73.7	Jan. 3 120.1
			Jan. 26	Jan. 26

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

ACTUARIES' INVESTMENT INDEX

By falling 1.8 points in a week, the Actuaries' index of 160 industrial equity prices had reached 58.5 on Tuesday, January 24, 1939—or only 0.5 above the "low" of September 27, 1938. A week ago the index was 60.3, and 61.5 at the end of December. The corresponding average yields are 6.48, 6.25 and 6.13 per cent. In the following table we give a selection of the component indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1938 High
	Dec. 30, 1938	Jan. 17, 1939	Jan. 24, 1939	
Insurance (10)...	112.9	112.7	109.8	121.5
Aircraft mfg. (5)†	100.0	93.8	89.4	87.1
Bldg. mfg. (6)...	69.2	68.0	64.9	106.7
Coal (8).....	78.8	77.5	74.0	66.4
Iron & st. (19)...	54.1	52.0	49.5	65.4
Oil (4).....	78.1	77.2	73.5	82.1
Stores, etc. (18)	54.0	52.9	50.6	65.4

† Based on Dec. 30, 1938 = 100.

Group	Yields (%)			Price 1938 Low
	Dec. 30, 1938	Jan. 17, 1939	Jan. 24, 1939	
Insurance.....	3.78	3.79	3.88	102.7
Aircraft manufg.	7.94	8.45	8.84	67.9
Bldg. mfg.	6.73	7.67	8.05	69.0
Coal.....	7.57	7.07	7.38	45.4
Iron and steel...	7.72	7.81	8.26	67.1
Oil.....	6.22	6.23	6.62	51.9
Stores and catg.				

New York

WALL STREET gave its first reaction to growing political fears at the end of last week when the Dow Jones average fell by 2.35 and turnover reached the comparatively high level of 660,000 shares. This fall proved a reliable signal of what was in store, for on Monday turnover reached 1,870,000 shares and the Dow Jones industrial average collapsed 5½ points, leaving the chartist's resistance level well behind. Heavy selling again occurred on Tuesday, but the temper of the market fluctuated wildly and stocks showed little change on balance. The volume of turnover subsidised appreciably in mid-week and fractional losses predominated in the industrial and rail groups. Utilities, on the other hand, proved relatively resistant. The fall in steel output from 53 per cent. of capacity to 52 per cent., according to "Iron Age," also discouraged the market, which has been anticipating a steady improvement in output by the end of January. The sharp break in the market has been received with consternation by investment advisers, although during the past few weeks certain quarters in Wall Street have been less optimistic regarding the pace of industrial recovery in the United States.

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

	1939		Jan. 11, 1939	Jan. 18, 1939	Jan. 25, 1939
	Low Jan. 25	High Jan. 4			
347 Ind'ls.	103.2	114.5	109.2	110.0	103.5
32 Rails.....	27.0	32.5	29.6	30.0	27.0
40 Utilities...	80.3†	82.8†	80.3	82.8	80.9
419 Stocks ...	87.4	95.6	91.5	92.6	87.4
Av. yield * ...	3.71% High	3.31% Low	3.49%	3.47%	3.71%

† January 11th. * 50 Common Stocks. † January 19th.

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

Jan. 19	Jan. 20	Jan. 21	Jan. 23	Jan. 24	Jan. 25
125.0	124.5	121.9	116.7	117.0	116.2

1939 High: 130.3 January 4th. Low: 116.2 January 25th

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares 000's
	Shares 000's	Bonds \$000's	
Jan. 19	890	6,900	182
" 20	740	6,180	203
" 21*	660	4,280	143
" 23	1,870	8,670	291
" 24	1,700	8,040	265
" 25	900	5,550	146

* Two-Hour Session.

New York Prices

	Close Latest Jan. 19, 1939	Close Latest Jan. 26, 1939
--	----------------------------	----------------------------

1. Rails and Transport		4. Manufacturing	
Atchafalaya.....	38 32	Briggs.....	27½ 22½
Balt. & Ohio.....	7½ 5½	Chrysler.....	77¼ 68½
B.M.T.	12½ 11½	Elec. Autolite.....	32¼ 27½
Can. Pacific.....	5½ 5	Gen. Motors.....	47½ 43½
Ches. & Ohio.....	36 31½	Hudson Mtr.....	7½ 7
G.N. Ry. Pf.....	27½ 23½	Nash Kelntr.....	9½ 7½
Illinois Cent.....	18¼ 15½	Packard Mtr.....	4½ 4
N.Y. Cent.....	19½ 16½	Bendix Avtn.....	27½ 23
Norfolk.....	12½ 10½	Boeing Airpln.....	31¼ 25½
Pennsylv. R.....	21½ 19	Douglas Air.....	71½ 64
Southern Pac.....	18½ 15½	United Aircraft.....	39¼ 35½
Southern Ry.....	20½ 16½	Air Reduction.....	60¼ 54¼
Union Pac.....	96¼ 89¼	Allied Cheml.....	18¼ 17½
Greyhound.....	18¼ 16¼	Col. Carbon.....	91 87
		Dupont.....	149 143
		Un. Carbide.....	88¼ 82¼
		U.S. Ind. Alc.....	23¼ 20½
		Allis Chalmers.....	43 40½
		Gen. Electric.....	41½ 38
		West' hse Elec.....	112 100½
		American Can.....	98¼ 92¼
		Am. Gas & El.....	67¼ 62½
		Addressograph.....	25½ 25
		El Bond & Sh.....	12 10½
		Caterpillar.....	46 42½
		Cont. Can.....	40½ 38½
		Ingersoll Rnd.....	115 106
		Int. Harvester.....	55½ 53½
		Johns Manville.....	102¼ 88
		Am. Radiator.....	16¼ 14½
		Stan Gas & E.....	35½ 31½
		J.I. Case & Co.....	25½ 24½
		Glidden.....	22½ 20
		G. Am. Trans.....	58¼ 54
		Amer. Tel.....	153 150½
		Allied Stores.....	10½ 9
		Westn. Union.....	23 20½
		Celanese of A.....	22¼ 18½
		Ind. Rayon.....	28 25¼
		Colgate Palm.....	13½ 11½
		Eastm'n Kdk.....	182 175
		Gillette.....	75 7
		Loews.....	48¼ 46¼
		20th Cen. Fox.....	23½ 21½
		5. Retail Trade, etc.	
		Mont. Ward.....	497½ 447½
		J. C. Penney.....	78½ 76
		Sears Roebck.....	71½ 67½
		Walgreen.....	18 17
		Woolworth.....	49½ 46½
		Borden.....	17½ 16¼
		Gen. Foods.....	39½ 37½
		Cerro de Pas.....	23 21½
		Int. Nickel.....	52½ 46¼
		Kennecott.....	39½ 34¼
		Patino Mines.....	11 10½
		Tex. Gif. Sul.....	32 30½
		U.S. Smelt.....	57½ 52½
		Vanadium.....	27½ 22½
		Atlantic Refg.....	22¼ 21½
		Phillips Petr.....	40½ 37½
		Shell Union.....	13¼ 12
		Shell Un. Pf.....	106 105¼
		Socony Vac.....	13¼ 12
		Stan. Oil Cal.....	28½ 27
		Stan. Oil N.J.....	50½ 47½
		Texas.....	46¼ 42¼
		6. Finance	
		Comel. Credit.....	51½ 46
		Atlas Corp.....	8¼ 7½
		Com. Inv. Tr.....	54½ 50½

the industry. Every other section of the trade, including the operatives' organisations, had supported the proposals, and although it was known that there was a good deal of opposition among the merchants, it was not thought that the proposals would meet with an adverse vote. The meeting was attended by nearly 700 members, and on a show of hands the resolution was defeated by 281 votes to 237. There were 150 abstentions. It must be emphasised that the meeting was open to all members of the Chamber of Commerce, no matter what trade they followed. The industry is now wondering what effect the decision will have upon the attitude of the Government. The whole position will be considered by the Joint Committee of Cotton Trade Organisations, at a meeting in Manchester on Friday (January 27th), and there is still the possibility that a further vote will be taken, for if 40 members sign a requisition, a ballot of the whole 4,000 members of the Chamber can be taken. The members of the producing sections have expressed the opinion that it would be a pity if the reorganisation proposals were jettisoned by the merchants' vote, especially as some of the adverse votes may have been registered by members of the Chamber who are not directly interested in the cotton industry.

* * *

The Small "Tramp."—The fact-finding committee concerned with the near-Continental and Russian Trades draw attention in their report to the plight of this section of the industry, which has been more seriously affected by depression, foreign competition and Britain's tariff policy than any of the other branches of shipping. A substantial proportion of this trade is carried by small, handy vessels; these small "tramps" were a valuable asset in 1914-18. As the following table shows, their number has been appreciably reduced since 1913.

BRITAIN'S SMALL VESSELS

(In gross tons)				
Gross Tonnage	December 31, 1913	August 31, 1938	No.	Tonnage
100-1,000 ...	4,405	1,326,000	3,961	1,305,000
1,000-2,500 ...	1,275	2,115,000	724	1,166,000
2,500-4,000 ...	1,480	4,947,000	351	1,138,000

The Committee provides a mass of evidence revealing the decline in the proportion of the trade between Britain and the Continent carried by British vessels. In 1929, the proportion of the net tonnage of vessels entering and clearing United Kingdom ports in our trade with Northern Europe, flying a foreign flag, was 58.2 per cent. and 52.8 per cent. respectively; in 1937 the respective proportions were 69.1 per cent. and 65.3 per cent. Although Britain took nearly one-half of Europe's total exports of timber in 1937, the proportion brought to our shores in British vessels was negligible. The proportions of timber imports from Russia, Finland and Sweden carried by British ships in 1937 were 4.7 per cent. (9.2 per cent. in 1936), 7.4 per cent. (9.5 per cent. in 1936), and 7.1 per cent. (7.6 per cent. in 1936) respectively. Again, the proportion of our coal exports in 1937 carried in British vessels was below 10 per cent. in shipments to Sweden, Norway and Finland, and only 30.6 per cent. and 49.4 per cent. in shipments to Germany and France respectively. Meanwhile, the President of the Board of Trade has received a deputation of shipowners representing the various sections of the trade. He promised to give full consideration to the results of the industry's inquiry and the report, in the knowledge of the importance of the industry and of the need for prompt consideration of its problems.

* * *

Reduction in Crude Oil Output.—So strong is the secular upward trend of oil consumption that the decline in world economic activity between 1937 and 1938 necessitated only a slight reduction in the output of crude oil. According to the estimates recently published by the Petroleum Press Service in a special bulletin (this bulletin contains a number of authoritative articles on various aspects of the oil industry), the world's output of crude oil fell from 281.0 million metric tons in 1937 to 271.4 millions in 1938, a decline of only 3.4 per cent. Last year's output, however, was still 29 per cent. bigger than production in 1929. The geographical incidence of changes in production during the past two years is shown in the following table:—

WORLD CRUDE OIL PRODUCTION

	(Thousand metric tons)		Percentage Change 1937-38
	1937	1938	
U.S.A.	173,734	164,740	- 5.2
U.S.S.R.	28,397	29,300	+ 3.2
Venezuela	27,723	27,740	...
Iran	10,330	10,000	- 3.2
D.E. Indies	7,189	7,300	+ 1.5
Roumania	7,147	6,600	- 7.7
Mexico	6,751	4,800	- 28.9
Iraq	4,314	4,250	- 1.5
Colombia	2,904	2,980	+ 2.6
Trinidad	2,253	2,470	+ 9.6
Argentina	2,282	2,370	+ 3.9
Peru	2,319	2,100	- 9.4
Bahrein	1,016	1,150	+ 8.4
Burma	1,083	1,060	- 2.1
British Borneo	793	895	+ 12.9
Canada	366	940	+ 156.8
Greater Germany	486	625	+ 28.6
Poland	501	507	+ 1.2
British India	298	365	+ 22.5
Japan	368	360	- 2.2
Ecuador	280	290	+ 3.6
Egypt	170	220	+ 29.4
Other countries	226	300	+ 32.7
Total	280,975	271,362	- 3.4

While output in the United States fell by 8,994,000 metric tons between 1937 and 1938, production in the rest of the world showed a decline of only 619,000 tons or 0.6 per cent. The United States remains the most important producer of oil, her share of world production last year

being 61 per cent. Among other countries, the most significant changes were a sharp fall in Mexico, due to the expropriation of foreign oil companies, and proportionately large, if quantitatively small, increases in Canada, Greater Germany, British India and Egypt. But as the world's productive capacity is substantially in excess of consumption, the comparatively small reduction in demand last year was accompanied by a proportionately much greater fall in prices, despite the fact that output was deliberately curtailed in a number of countries. The extent of the decline in prices is shown by the following price indices, calculated by the Petroleum Press Service, on the basis of U.S. dollars:—

AVERAGE EXPORT PRICES, f.o.b. GULF

	(1929 = 100)			
	Motor Spirit (U.S. Motor)	Kerosene (41/43 pr. wk.)	Gas & Diesel Oil (Average of all qualities)	Fuel Oil ("C" Bunker)
1934	51.9	58.0	86.2	122.0
1937	67.6	68.5	99.7	121.7
1938	55.4	59.1	89.5	93.5
Dec., 1938	50.3	55.5	85.4	90.5

The export price of American motor spirit has been halved, and that of kerosene almost halved, between 1929 and the end of 1938. In contrast, the fall in the prices of gas and diesel oil and of fuel oil since 1929 has been much less marked.

* * *

Idle Shipping.—The Chamber of Shipping's returns of the number and tonnage of ships laid-up at ports of Great Britain and Ireland show a slight, mainly seasonal, reduction during the last quarter of 1938:—

SHIPPING TONNAGE LAID-UP AT BRITISH PORTS

	British Vessels		Foreign Vessels	
	No.	Net Tons	No.	Net Tons
January 1, 1938	75	95,377	38	79,256
April 1, "	139	232,802	51	106,523
July 1, "	159	245,299	39	86,705
October 1, "	190	363,252	42	92,415
January 1, 1939	174	342,423	49	109,943

Compared with the figures for the years 1931-34, the volume of idle tonnage remains comparatively small. The shipping tonnage on the United Kingdom register increased by 79,000 gross during the last quarter of 1938. Since the laid-up tonnage declined by 48,000 gross during that period, there must have been an increase of 127,000 gross tons of British vessels in commission. The foreign vessels laid-up at British ports on January 1st, incidentally, included 36 Spanish ships of 73,164 net tons.

* * *

Decline in Rayon Output.—The growth of the rayon industry was checked in 1938, when the production of both filament rayon and staple fibre showed a decline:—

OUTPUT OF RAYON YARN AND STAPLE FIBRE

	(In thousands of lbs.)	
	Filament Rayon	Staple fibre and Rayon Waste
1933	80,039	4,041
1934	88,878	4,236
1935	112,319	11,520
1936	116,811	28,497
1937	119,696	35,116
1938	106,448	33,875

INDUSTRIAL REPORTS

THE flow of new orders to industry has not yet shown much increase. The home demand for coal remains quite good, but export business continues dull. Consumers of iron and steel show no inclination to cover their requirements far ahead. As our Sheffield correspondent puts it, "consumers (of iron),

fully aware that supplies are plentiful, continue a hand-to-mouth buying policy." Activity in the tinplate industry has shown some improvement, but output remains about 30 per cent. below the level of the corresponding period a year ago. Reports from the engineering industry, however, indicate

a slight expansion in new business, commercial as well as military. Business in cotton goods remains depressed, and the industry was disappointed by the failure of the Manchester Chamber of Commerce to give its support to the proposals for an Enabling Bill. Turn-over in rayon was disappointing.

The output of staple fibre has increased more rapidly than that of filament rayon in recent years, and in 1938 the fall in production was proportionately much bigger in filament rayon than in staple fibre. The reduction in the industry's activity last year was due, in a large measure, to the shrinkage in exports which affected all textiles. Thus, exports of tissues made wholly of rayon or staple fibre fell from 38.5 million square yards (valued at £2,028,058) in 1937 to 31.2 million square yards (valued at £1,576,173) in 1938; during the same period shipments of rayon tissues mixed with other fibres declined from 39.5 million square yards (valued at £1,697,910) to 29.5 million square yards (valued at £1,309,372). Moreover, there are no indications of an early improvement in export trade.

* * *

Record Nitrogen Consumption.—The bulk of the world's output of nitrogen is consumed by agriculture as a fertiliser. The British Sulphate of Ammonia Federation's annual estimates of the world's consumption of nitrogen thus provides some indication of changes in the fortunes of agriculture. The accompanying table shows changes in the world's production and consumption of various forms of nitrogen in recent years. The statistics cover the fertiliser year ended in June. As a result of the fall in prices and demand, consumption fell sharply between 1929-30 and 1931-32. Since then, however, consumption has risen without interruption, the figures for 1937-38, a record, showing an increase of 47 per cent. over those for 1929-30. In recent years the increase in agricultural consumption of nitrogen has been accelerated by the policy of self-sufficiency adopted by many countries. It is scarcely surprising, therefore, that the

WORLD PRODUCTION AND CONSUMPTION OF PURE NITROGEN

	(In thousands of metric tons)				
	1929-30	1931-32	1935-36	1936-37	1937-38
Production:—					
Sulphate of ammonia	867	824	1,006	1,117	1,176*
Cyanamide	264	134	269	291	305*
Nitrate of lime	131	79	156	179	195*
Nitrogen	478	378	770	904	980*
Chile nitrate	464	170	192	206	224
Total Production	2,204	1,585	2,393	2,697	2,880*
Consumption:—					
Nitrogen	1,587	1,417	2,223	2,492	2,620*
Chile nitrate	364	138	218	238	252
Total Consumption	1,951	1,555	2,441	2,730	2,872*

* Highest figure ever reached.

increase between 1936-37 and 1937-38 was most marked in Germany, Italy and Japan; the figures for the United States and China, on the other hand, show decreases during this period. But if the demand for nitrogen has shown a rapid increase in recent years, the world's productive capacity for synthetic nitrogen has increased even faster. In 1937-38, for example, the world's synthetic nitrogen plants operated at only 53 per cent. of capacity. As a result of the surplus capacity of the industry, production tended to exceed consumption for many years, and prices, consequently, tended to fall. The Chilean nitrate industry was almost put out of business. In 1931-32, however, the tendency to overproduction was arrested and, as the figures show, output and consumption have been brought into equilibrium as a result of the conclusion of international agreements which were recently prolonged for a further period of 3-5 years.

RENT your new factory
BUILT TO YOUR REQUIREMENTS
in the safest
district in England

CAPITAL ASSISTANCE

WEST CUMBERLAND offers you the following exceptional advantages if you select it as a location for your new factory: plentiful labour, skilled and unskilled, male, female and juvenile. Foundries working the purest hæmatite in the Empire, producing pig iron and steel of all grades, and forgings. Manganese deposits in the area. Coal of all grades for engineering. Abundant lime. Water—soft water—in plenty: waterside factory sites. Good ports—good transport facilities. Magnificent country—mild climate—sporting amenities.

ADD TO THESE the unique facilities now offered by the Government. Your factory planned and built for you to your requirements, and rent only (on a non-profit basis) charged. Substantial assistance with capital. Contributions towards Rent, Rates, Income Tax and N.D.C.

Full information from
The West Cumberland
Industrial Development Co. Ltd.
1 Scotch Street, Whitehaven

West
Cumberland

Coal

Sheffield.—The pressure for household coal has eased with the milder weather, and supplies are much more readily obtainable. Industrial steam coal is being taken up rather more freely, smalls for electricity works are active, and gas coal moves readily. South Yorkshire and Derbyshire hards are quoted at 18s.-19s. per ton at pits. Rough slacks are around 15s. and nutty slacks 14s. per ton at pits. More interest is being displayed in blast-furnace coke at the new price of 21s. 8d. per ton on rail at ovens for renewal of contracts, this being a reduction of 3s. 4d. per ton on last year's price. Large patent oven coke and graded qualities for industrial and central heating purposes are meeting with a substantial demand.

The export market continues quiet, and competition is keen for any available business. The market in bunkering coal also continues dull.

★

Newcastle - on - Tyne. — Whilst foreign inquiry for North-East coals is disappointing, inland trade is steady, shipments to home ports being brisk. Northumberland steam collieries are comfortably placed, large coals being fully booked for several weeks ahead. The Durham section is steady, but it is noticeable that there is little pressure for supplies for February. Patent oven coke is a quiet market, there being no strong demand from home consumers, and buyers abroad are taking no interest as they have covered their needs.

★

Glasgow.—Stringency in the house coal market remains the chief feature. Owing to the cold weather demand is so heavy that in spite of increased output and the use for domestic purposes of other qualities, supplies are inadequate, and a kind of rationing system is therefore in force. As a result difficulty is found in meeting export needs, and in Fife especially vessels are on occasion being delayed for several days before contract tonnages are secured. Apart from the smaller sizes of nuts in Ayrshire practically nothing is available for new shipping business. Further ahead the export position is somewhat obscure, for while the collieries in Fife are well booked for some time ahead the outlook in the other areas is less assured. Navigation fuel is well taken up, while in Lanarkshire nuts are only just adequate, for the utility undertakings are taking substantial tonnages.

★

Cardiff.—The volume of trade at the South Wales ports shows little change. Transport has been disorganised by the recent gales, and many chartered vessels are overdue. Loadings at the Great Western docks last week were only 351,600 tons, compared with 404,299 tons in the corresponding week last year. Contract business, however, is a little more active. Italy is reported to have placed orders for 500,000 tons of anthracite for delivery during 1939, and small purchases have also been made by the Algiers Electricity Works and the Tunis Tramways; while new inquiries include 350,000 tons for the Brazilian Railways, 10-12,000 tons of sized coals for the Egyptian State Rail-

ways, and 5,000 tons for the Antwerp Electricity Works.

The undertone of the market is steady. Best large steam coals are being regularly absorbed and dry sized grades are scarce and firm, but for ordinary large classes supplies are plentiful, and stocks of steam smalls are exceptionally heavy. Coke prices are a little steadier, but there is no improvement in the patent fuel trade.

★

Workington.—Production of house coal is scarcely adequate, and shipments to Ireland have therefore dropped to between 5,000 tons and 6,000 tons weekly. There is a glut of industrial fuel on account of the short-time working at the coking plants serving the furnaces on hematite pig iron. There are stocks of small coal on the ground. Prices are firm.

Iron and Steel

Sheffield.—The iron market is slow to revive, and the volume of business this week has been limited. There have been a few more inquiries for forge and foundry iron, and buying to cover immediate needs has been on a little better scale. Forward business, however, continues meagre, consumers, fully aware that supplies are plentiful, continuing a hand-to-mouth buying policy. Hematites are somewhat more active, but with a number of contracts still to be liquidated, new business is by no means active. There is no development in bar iron, with the exception of common bars, which are in slightly better demand.

In the steel market the outlook is regarded with confidence, but here again the upswing is slow. Business in basic and acid billets is small, but there is a rather better demand for wire rods and strip. Structural steel requirements are easily met.

There is a strong flow of Government orders to this district, and the heavy branches are booking a fair number of ordinary commercial home and overseas orders. The lighter sections are well employed, and rolling mills on hire work are busier than for some time.

Production of steel ingots and castings showed a heavy drop in December to 93,500 tons, the lowest total for many months. Reports show, however, that output in January is likely to be considerably above this figure.

★

Middlesbrough.—The market continues quiet and so far users of foundry iron are confining their purchases to immediate requirements. As the price is only fixed for an indefinite period, there is no inducement to make forward contracts, and the idea of some of the consumers seems to be that by waiting they may do better. There are twenty-one blast-furnaces in operation in the North-East Coast area, of which eight are producing hematite pig iron, twelve basic iron, and one ferro-manganese. One of the furnaces producing basic iron is changed over at week-ends to the production of foundry iron.

Re-rollers are requiring increased supplies of semi-manufactured steel; whilst manufactured steel departments

are rather busier, with the sheet mills better occupied than for some time.

Heavy steel melting scrap is only being sent in under strict control. There is no change in the position regarding blast-furnace coke, or foreign ore.

★

Glasgow.—Little new business has been placed in the West of Scotland during the present week; the deterioration in international relations hindering the placing of fresh contracts. But there is still much work on hand and in most branches of the industry plant is steadily employed. Steelmakers and sheetmakers are now busily engaged in the production of the steel and sheets required for the household air raid shelters.

★

Cardiff.—Business on the Swansea Metal Exchange was a little more buoyant on Tuesday, and preparations are already in hand to meet the Government requirements for steel sheets for air raid shelters. There has been a slight improvement in the production of tinplates, but it remains about 30 per cent. below the level at the beginning of 1938. The depressed state of exports is mainly responsible for the low rate of output, and shipments last week totalled only 3,540 tons, compared with 5,596 tons in the corresponding week last year. Prices are nominally unchanged.

★

Workington.—No improvement in the North-West Coast hematite pig-iron trade has followed the price reductions. Business is from hand-to-mouth, but what is worse is that users are still refusing delivery of the greater part of the iron they bought towards the end of 1937. Occasionally, too, local absorption ceases, so what were already heavy stocks are becoming more formidable, and nothing short of a substantial improvement can prevent a curtailment of output. Prices are unchanged. Refined iron is not now being smelted because of the lack of demand. Malleable iron, at £7 14s. 6d. per ton, delivered at Birmingham, is a dull trade, and so also is ferro-manganese at £16 15s. per ton, home.

The steel trade is very quiet. Though this is the rail-rolling season, the mills at Workington and Barrow are not in regular employment, and orders do not justify more than two to three weeks' activity in four. Native ore, at 24s. 6d. f.o.t., is in poor request. Sales to the East Coast and Scotland are small.

★

News from Abroad.—Business in steel products on the export markets has remained quiet, many prospective buyers hoping to be able to obtain materials more cheaply at a later date. It is true that the weakness of the pound has to a certain extent upset price relationships, and it is also true that the prices for a few products and for some markets are being adjusted to meet non-Cartel competition. A general downward adjustment of official prices is, however, considered unlikely.

American competition, for instance, was responsible for a reduction in the prices of sections for the Venezuelan market by 5s. per ton, and similar measures have been taken on Far Eastern markets. Lower c.i.f. prices for

South American markets have also been made possible by a further decrease in freight rates. On the Dutch market unofficial rebates have now been authorised by the Comptoirs for thick and medium plates in order to meet American competition. Producers of thick plates for shipbuilding are considering more comprehensive measures against American competition. Thin sheets are also subject to American competition in some markets, but a reduction in Cartel prices is not expected. The question of a price reduction for merchant bars for Empire markets, in connection with the decline in British prices, has recently been discussed in Paris. The formation of an international Cartel for cold-rolled sheets, which was forecast in this column last week, has now been completed.

Inquiries have recently been a little more numerous, showing that consumers' requirements are quite substantial. A moderate turnover has been recorded with South American countries. Negotiations with Scandinavian and Dutch buyers proceed slowly.

Textiles

Cotton (Manchester).—Spinners and manufacturers continued to give out disappointing reports regarding the amount of business done. Now and again producers report rather more price-testing, but business is still being confined to sorting-up lines, and in view of the unsettled European political situation there does not seem to be any likelihood of traders adopting an attitude of anything but extreme caution.

The raw cotton markets remained dull, and only narrow fluctuations have taken place in prices. The report that America is considering calling an international cotton conference to limit world acreage has caused interest, and it may be that South America and some other cotton-growing areas will be in favour of the move, but it remains to be seen what attitude will be taken up by Egypt, India, Russia and China, all important cotton-growing countries. On this point it might be mentioned that seven or eight years ago, when Egypt proposed a world cotton conference with a view to limiting output, the American Government refused to participate. Further confusion has also been caused by the announcement that the total American acreage allotment will be 27,543,000 acres. This seems a peculiar form of crop control, for this season the harvested acreage was 25,346,000 with a production of 12 million bales.

Business in the spinning section remains dull. There has been a slightly better turnover in American coarse counts. Only a restricted business has been done in Egyptian descriptions, while export demand for all qualities has continued depressed.

There is a little more activity in the cloth section, and in one or two quarters there has been a slight improvement in sales. Trade has recently been so depressed that even the slightest improvement is apt to be exaggerated. The business done is still in retail lots for export, and there has been no disposition on the part of shippers to act with freedom. After being quiet for several weeks home demand has improved a little.

Jute (Dundee).—A big change has come over the jute trade during the past fortnight. The price of the fibre has fluctuated wildly in Calcutta, but with a strong tendency, and is now about £2 higher. Imports of raw jute into Calcutta are now reported to be falling off rapidly and there are grave fears that there will not be sufficient jute to satisfy requirements for the current season.

Another item which had a considerable influence in causing the rising tendency was the report that the British Government had placed orders with Calcutta for 220 million yards of hessians for sand-bags for purposes of defence in the East. These could have been bought from Dundee, but it is understood that it is a question of obtaining quick delivery, which Dundee could not give. There are, however, prospects that the present deliveries of 3,000,000 bags per week, which Dundee manufacturers are giving at the present time, will be increased in the near future, as manufacturers have been asked how many additional sand-bags they could supply. Calcutta goods strongly advanced on the news of the sand-bag orders, but profit-taking has led to a relapse in prices.

The raw jute market appears to be entirely in the hands of speculators and their operations are not allowing prices to remain unchanged, even for an hour. The full group of Daisee-2/3 has been up to £22 5s. per ton and back to £21 10s., January/February.

Buyers of jute yarns have bought fairly freely recently at from 2s. 1½d. to 2s. 2½d. for common 8-lb. cops and 2s. 2½d. to 2s. 3½d. for 8-lb. spools, the higher rates being now the lowest possible, while there has been an improvement in business in jute cloth at 2½d. for 10-oz. 40-in. and 2½d. for 8-oz.

★

THE COMMODITY MARKETS

THE slightly firmer tendency of the prices of primary products, noticeable a week ago, has not been maintained. The causes of the weakness of commodity prices are the same as those responsible for the precipitous fall in security prices in New York and in London; they are the deterioration in European political relations and the less encouraging view taken of business prospects in the United States.

The decline in prices, however, has been comparatively small. Thus, Moody's index of the prices of staple commodities in the United States (December 31, 1931 = 100) fell from 143.1 to 142.6 during the week ended last Wednesday. In this country, the prices of wheat and raw sugar were well maintained. Raw cotton is scarcely changed in price on the week, but rubber and non-ferrous metals were all marked down. The outlook remains uncertain.

Metals

Copper.—The price of standard cash closed on Wednesday at £42 5s. per ton, a loss of 16s. 3d. on the week and the lowest level since December 6th last. The cause of the decline, however, was solely the reserve of con-

sumers in view of the uncertain political outlook. The basic position of the copper market has actually improved this week. In the United States the restriction of production has been adopted by all leading producers, and the question of United States exports (which have been well in excess of the quotas in recent months) is at present being discussed between Mr Sengier, managing director of the Union Minière du Haut Katanga, and the leaders of the United States copper industry. Supplies are likely, therefore, to show a contraction within the next few weeks, particularly as the cut in the extra U.S.A. quotas is now beginning to make itself felt in current offerings.

★

Tin.—The tin market also suffered from the political situation and the price of standard cash lost 77s. 6d. to close on Thursday at £209 per ton. The demand was small during the greater part of the week and in particular United States consumers failed to continue their recent purchases. There was, however, no change in the extremely strong statistical position of this market, and the appointment this week of Mr A. Ellinger as assistant manager of the Tin Buffer Pool suggests that in the view of the authorities the time has approached at which the pool will have to supply part of its holdings in order to relieve the shortage of offerings. It is now believed that the pool may start to sell well below the upper limit of £230 in order to accumulate liquid funds with which the effects of possible political crises in tin prices could be averted.

★

Lead and Spelter.—The price of lead lost 3s. 9d. to close at £14 6s. 3d. per ton, while spelter declined by 5s. to close on Wednesday at £13 8s. 9d. per ton. The demand for both metals was small, but supplies were also limited, as holders expect large orders shortly in connection with the intensification of A.R.P. work and in particular with the building of air raid shelters. Whether these orders will be large enough to counterbalance the loss of demand owing to the poor state of general building is doubtful. Consequently the two markets remain vulnerable, particularly as the current output continues to be high.

Grains

A FAIR demand kept the market steady during the past week and wheat prices show little change. The United Kingdom took ten cargoes of Argentine wheat which are presumed to be an addition to Government stocks. Australian exports to India are continuing in spite of the Indian import duty on wheat, and there has also been a good trade in Australian flour to China. The maize market showed some weakness, due to increased offers from the Argentine and the appearance on the futures markets of South African maize; competition from cheap Polish barley has also restricted the demand for maize. There has been a very poor demand for barley and prices of feeding barley have tended to fall.

(Continued on page 221)

COMPANY MEETINGS

MIDLAND BANK LIMITED

POSITION AND PROFITS WELL MAINTAINED

DIVIDEND UNCHANGED

THE BANKS AND INTERNATIONAL MONEY MOVEMENTS

GOLD AS AN INSTRUMENT OF MONETARY POLICY

NO ROOM FOR DESPONDENCY: COUNTRY IN STRONGER POSITION THAN EVER

MR R. McKENNA'S ADDRESS

The ordinary general meeting of shareholders of the Midland Bank Limited was held, on the 26th instant, at the head office of the bank, Poultry, London, E.C., the Right Hon. R. McKenna, chairman of the bank, presiding.

The Chairman said: My Lords, Ladies and Gentlemen,—I cannot do otherwise than open my address with an expression of deep sorrow at the death of Mr Hyde. For more than fifty years his exceptional qualities had been devoted to the service of the bank, and it was only last June that he was compelled by continued ill-health to retire from the position of managing director. His career provides an example of the contribution made by native gifts and sterling character to the building up of a great institution, while winning for their possessor the affection of colleagues and the loyal collaboration of assistants. We deeply deplore his death, and I am sure you will all wish to join me in a message of profound sympathy to his family.

We are meeting in surroundings which are new to the majority of those present. For many years before the head office was finally moved to London, our shareholders' meeting was held regularly on bank premises. This year the completion of our new head office building has enabled us to revert to the former practice. I believe the change will be of convenience and comfort to the shareholders, and if so we shall in future assemble annually in this room.

I propose to say something to-day upon a matter which has attracted much comment, the movement of foreign balances and the effect of the movement upon the banks. In common with all other business undertakings, banks felt the decline of trade activity during the first half of last year, but it was not until the autumn that they became affected in a special way by the withdrawal on a large scale of foreign funds, a withdrawal induced by the grave international anxieties at that time.

For the purpose of financing world trade considerable foreign balances are always held with London banks. These, however, are sometimes heavily supplemented for reasons having nothing to do with trade: a change of opinion as to the economic or political stability of this or that country will lead to large transfers from one centre to another. At one time London may be the favoured depository, at another New York. In 1936 and 1937 foreign balances in London were steadily increased, reaching their maximum in the spring of last year. The movement was then reversed as the European political outlook became threatening, and in nine months nearly the whole addition to foreign balances, accumulated over more than two years, had been re-transferred from London to other centres.

EFFECTS OF THE MOVEMENT OF FUNDS

The interesting feature for us in this huge transfer of funds lies in the operations of the Exchange Equalisation Account. During the years when foreigners were increasing their balances in London the Exchange Account prevented a too rapid rise in the exchange value of sterling by continual purchases of gold. Part of the gold was re-sold to the Bank of England, but even so the accumulation by the Exchange Account was very large. When the movement of foreign balances was reversed and heavy sales of sterling over the exchanges took place, the Exchange Account again exercised its function of maintaining a fairly steady day-to-day rate for sterling, and sold gold as readily as it had previously bought it.

To see how the banks were specially affected by the withdrawal of foreign deposits we may follow the course of a typical transaction. When a foreign deposit is withdrawn, the cheque drawn upon the bank is met in the clearing by a claim upon the bank's

balance at the Bank of England. A number of intermediate transactions may then take place in which the money passes through the hands of exchange brokers, bullion dealers and their banks. For the sake of simplicity we may omit these from consideration and, looking only at the conclusion of the various dealings, we find that the money paid out by the bank from its Bank of England balance goes to pay for gold sold by the Exchange Equalisation Account, and is then utilised by the Exchange Account in taking up Treasury bills. Thus at this stage public deposits in the Bank of England are increased by the amount paid for Treasury bills, corresponding to the reduction in bankers' balances arising from the withdrawal of the foreign deposit.

REDUCTION OF CASH RESERVES

It is here that the banks feel the pinch in the reduction of their cash reserves. The money has passed out of the banking stream into the pool of public deposits. Ordinarily, however, the consequent stringency is only temporary and is continually being eased. The Government does not keep an unusually large balance for long; the added amount of its balance is shortly distributed among contractors and others, who have their accounts with the joint stock banks, and in this way the money comes back to the joint stock banks as a deposit and passes once again into bankers' balances in the accounts of the Bank of England. Thus the original cash position of the banks as a whole is in the end made good, and, on the supposition—to which I shall refer later—that they are able to work back to their customary ratios, deposits also will in due course be restored. The only important change will be that a larger proportion of the deposits will be domestic and a smaller proportion foreign.

We may note that the withdrawal of the exceptional foreign deposits accumulated in recent years has not materially diminished the importance of London as a centre for financing world trade. But far more noteworthy is the fact that, contrary to all previous experience, the transfer was effected without any rise in the Bank rate. There was no monetary restriction to aggravate the shrinkage of internal business which was already taking place as the universal falling away of 1938 developed. Although in the autumn interest rates in the money market stiffened, the movement was without effect on the cost of accommodation for business. The abundance of available bank credit was unimpaired, a small decline in advances being due, not to any restrictive policy, but simply to a natural reduction in demand for borrowed money in the uncertain trade outlook.

EXCHANGE EQUALISATION ACCOUNT

Thus we see how with this new and efficient instrument, the Exchange Equalisation Account, in skilful operation there need be no conflict between the measures required to cope with large and irregular exchange movements and the measures required to maintain an internal monetary policy appropriate to the conditions of domestic business and finance. The conduct of the Exchange Account is entrusted to the Bank of England, acting as agent for the Treasury, and the events of last year afforded a valuable test of the working of a managed currency under exceptional and very difficult conditions. I could quote many examples to show how, under the gold standard, external influences caused grave disturbance to internal credit. The vulnerability of the money market to external influences was extreme, and was due mainly to the statutory obligation to maintain the pound sterling at a fixed gold value. To-day the

central bank is no longer under this obligation; there is freedom to allow the rate of exchange to swing more widely and, by judicious purchases or sales of gold as foreign balances increase or diminish, to take the weight of great international movements of funds without affecting internal trade credit.

A more lasting result of the outward flow of foreign funds than its reaction upon the banks is found in the appreciation of the dollar. The first effect of the outflow was to create a demand for dollars which, not being offset by a simultaneous sale of gold, tended to depress sterling in the exchange market. As the outflow continued, the counteracting influence of the gold sales lagged constantly behind, and sterling sank to a lower level. The recent fall of sterling was the reverse of what happened in earlier years, when the inflow of foreign funds, notwithstanding the very large purchases of gold, forced the dollar down, down even to a level at which sterling probably became materially overvalued. Thus, even though in both periods the weight of the transfer was ultimately carried by official dealings in gold, nevertheless under the pressure of the inward flow of foreign funds sterling touched 5.04, while on the outward movement it fell momentarily to 4.62.

THE NEW SYSTEM AND THE OLD

The Exchange Equalisation Account is an essential part of the machinery for regulating monetary conditions. Let me observe, however, that no monetary mechanism can of itself perform the numerous and complicated tasks connected with the control of currency and credit. In internal policy, for instance, it must always be difficult to draw a precise line between the legitimate demands of trade and the illegitimate demands of excessive speculation. Expansion and contraction cannot be regulated by a sort of financial thermostat, acting automatically according to the temperature of the economic body. No automatic system could be devised which would prove sufficiently elastic or adaptable for the purpose.

The new technique of monetary management called into being since 1931 requires for its proper exercise far more knowledge, judgment and skill than were needed in working on the gold standard. There was no room for doubt then as to the action to be taken. If too much gold was leaving the country the Bank rate was put up and credit restricted until gold flowed back. If gold was coming in beyond what was necessary for reserve requirements, the Bank rate was lowered until foreign borrowing checked the inward flow.

The simplicity, the almost automatism, of currency and credit control under the gold standard has been highly praised. But at what cost to trade and industry did the system operate? The Bank rate might have to be raised when internal conditions required not restriction but expansion of credit—as for example last year, when the outflow of gold would have led to severe credit restriction at the very time when confidence was already shaken and enterprise languishing. Seen in retrospect, the pre-war automatism in monetary affairs meant doing nothing until an acute stage of financial weakness had been reached—a stage at which drastic action was inevitable, however damaging its effects might be on industry and trade. But why should the British industrialist and trader pay more for credit, or find credit more difficult to obtain, because foreign capitalists choose to transfer their bank balances from London to New York? To-day human skill and judgment must take the place of automatism. Open market dealings by the Bank of England and the operations of the Exchange Equalisation Account are the modern instruments of control, and after several years' experience we can appreciate how well they have been used. Monetary management on this scale is a new system and therefore in some degree experimental, but we all recognise the readiness of the authorities to profit by experience and the adaptation of methods to changing needs.

GOLD'S ESSENTIAL PART

It must not be overlooked that the departure from the gold standard is by no means the same thing as the abandonment of gold as an instrument of monetary policy. Gold plays and will continue to play an essential part in the exchange relations between countries conducting the bulk of international trade. But for us it no longer plays a governing part. True, our stock of gold is much larger than ever it was in the old days, but the essence of the present system lies not in the amount but in the availability of the stock. The gold lies in the Exchange Equalisation Account and in the Bank of England can be made immediately available, as we have recently seen, for regulating the external value of sterling without necessarily affecting our internal issue of currency. The great achievement of monetary progress since 1931 is the discovery that our domestic business can be protected against extraneous developments with which it has nothing to do and for which it is not responsible,

and that we can expand or contract credit according to internal needs. To this extent at least we have become masters in our own house.

I say "to this extent" because when we consider the prospects of business we have to remember that a good monetary system will facilitate trade but cannot make it. It is akin to cheap and convenient transport, which carries the goods but does not produce them. When world conditions are adverse to trade we cannot escape altogether from the general decline, however efficient our monetary system may be. At the present time, sustained recovery in the United States would be the biggest single factor in a general revival of world trade. There have recently been welcome signs of recovery in that country, but we cannot be certain that it is on a solid foundation until we see a convincing revival of capital investment. New capital construction on a large scale, which is essential for the maintenance of a high level of employment, will be undertaken only when men of business can allow themselves a confident outlook on the future. Confidence breeds enterprise, and enterprise calls for the expenditure of the capital funds representing the accumulation of savings. If, as in America, savings are left idle through fear of loss and are not ventured freely in new enterprise, trade depression sets in and unemployment increases. There is no similar ground for depression in our own country, but we cannot isolate ourselves from depressing factors elsewhere. The most we can say is that the decline here has been less than in many other countries and that our general standard of living has been fully maintained.

TAXATION AND BORROWING

The problem of the proper use to be made of the nation's savings presents at the moment no difficulties for us; it is solved by the fact that the Government has come into the market as a borrower on a large scale. The great additional expenditure on armaments has to be met, and the question of ways and means is gravely exercising the minds of all engaged in commerce and industry, no less than the mind of the Chancellor of the Exchequer. We shall agree that the method we want to see adopted is the one which in the long run will be best for the country. I remember that, when in 1915 it was my lot to go to the Exchequer, one of my first duties was to receive a very important deputation of bankers and merchants of the City of London who came to press upon me the need for an increase of taxation. I was fully in accord with their opinion, and in the autumn of that year introduced a second Budget increasing taxation heavily. I mention this to show that the spirit of sacrifice is not wanting in our people when an emergency clearly confronts them. The willingness to do the right thing is not in question; the problem is how to raise the requisite resources without injury to our total national production.

The choice lies between additional taxation, borrowing, or something of each. If labour to-day were in full employment I should, for my part, unhesitatingly lay the emphasis on taxation. But when there is very considerable unemployment, questions arise which may lead to a different conclusion. New taxation disturbs industry for the time being by reducing the demand for goods of widespread consumption, or at any rate by creating a belief that there will be such a reduction in the near future. Orders are withheld and employment is consequently diminished. In a condition of full employment the labour so displaced might readily be absorbed, but when we have already nearly two million people unemployed we must be careful not to add to their number. The additional expenditure by the Government ought if possible to be so directed as to bring into productive activity men and women who are now out of employment. Taxation will not help in this respect; borrowing, on the other hand, under existing conditions will stimulate employment, and as the demand for labour grows industrialists will be forced ultimately to draw from the pool of unemployed. The limit to this policy is obviously reached when all labour employable at a profit at the current rate of wages is fully engaged, but we are a long way from that condition at the present time.

EFFECT OF GOVERNMENT EXPENDITURE

It may be asked, however: What effect will this huge Government expenditure have on the balance of international payments? Obviously, for a country which produces within its own borders so little of the raw materials required for re-armament, the carrying out of a vast programme such as Great Britain has undertaken must involve an expansion of the volume of imports, against which there is no prospect of countervailing exports. Add to this the laying in of stocks of food and other necessities, and there arises a strong probability that our current income from sales abroad of British goods and services and the yield on our overseas investments may

be insufficient to meet our purchases. A year ago I suggested that the balance of payments is under ordinary conditions a test of whether we are right or wrong in going on with an expansive monetary policy. I expressed some doubt as to the accuracy of previous estimates, but it may well be now that our specially enlarged imports have not been financed out of current income from abroad. Are we then to infer that the time has come when our monetary policy should be reversed, and restrictive financial measures adopted in order to reduce consumption?

I do not think we need contemplate, as an early necessity, any such drastic—and damaging—steps. The temporary enlargement of imports for purposes of defence is a different matter from a growth of imports for immediate consumption. If we are incurring a deficit on our current balance of payments we must, it is true, be drawing on our capital abroad; but so far as we are accumulating stocks we are merely exchanging one kind of asset for another. In any case, we are not drawing on our capital abroad to maintain a standard of living higher than we can afford. If it should become clear that rearmament is causing true inflation, as indicated by over-employment and an all-round rise in costs, it will, I think, be undeniable that restrictive measures have become a matter of urgency. But I see no sign of a near approach to that condition.

From all this I conclude that our monetary system and practice are well fitted to cope with the great demands imposed by national necessities. We are, moreover, far stronger than ever before to face any possibilities of financial disturbance that might arise from developments abroad. We are technically better equipped for management, in which our authorities are achieving by experience a rising standard of skill. Above all, under the guiding hand of the Treasury, a high degree of co-ordination is being attained between the major elements in our monetary system, the Bank of England and the commercial banks.

POSITION AND PROGRESS OF THE BANK

Dealing now with the position of our bank, you must all have been sorry to learn of the resignation from our board of Sir John Anderson, who has been called to serve his country in the Government. We heartily wish him well in his new position, which is of vital importance to national defence. Unhappily, death has removed another of our directors, Mr Darling, who in years gone by had achieved great distinction in a banking career, at home and abroad, but whom ill-health obliged some years ago to refrain from active work. I have also to record, with deep regret, the death of a former managing director, Mr Woolley, who, after serving as a director for several years, retired from the board in 1935. On the other hand, I am happy to say that the board has been strengthened during the past year by the appointment of Mr Arthur Chamberlain, who has a high and, may I say, well deserved reputation as a man of great constructive business ability.

Mr Hyde's withdrawal from active management necessitated a rearrangement of responsibility among the general managers. We may congratulate ourselves that Mr Astbury, whose large experience and qualities as a banker are well known to us all, was available for the principal post. He has been appointed chief general manager, with a seat on the board. Mr Lederer and Mr Sadd—both exceptionally able bankers—have been appointed assistant chief general manager and deputy assistant chief general manager. The directors are united in their confidence that under these arrangements the progress of the bank will be fully maintained and its traditions worthily carried on.

To this end, however, something more than wise and experienced head office management is required; it is essential that this should be supported by faithful, able and well-trained service on the part of managers of departments and branches and every member of the staff. Fortunately, this indispensable condition of strength and progress is present in our bank, and on your behalf I warmly thank all those who contribute, by their loyalty and the high quality of their work, to the fulfilment of our responsibilities to the public. The volume of business is constantly increasing, so that, notwithstanding the extent to which we have introduced machines for a great deal of the work formerly done by hand, our staff is still growing, and to-day numbers 13,600, as compared with 12,900 five years ago.

PROFIT AND LOSS ACCOUNT

I come now to the profit and loss account. The net profit, at £2,446,000, is slightly less than for 1937, but the decline is more than accounted for by the larger provisions required for income tax and National Defence Contribution. There has, in fact, been little change, as between the two years, in the actual earning power of the bank. Adding to the sum I have mentioned the balance brought

forward, we have £3,037,000 for disposal. In view of large provisions in the past and the completion of the head office building, we are appropriating this year the smaller amount of £150,000 to reduction of bank premises account. On the other hand, having regard to the unsettled conditions, which often have serious if temporary effect on values of investments, we think it desirable to make a larger allocation to reserve for future contingencies. To this fund we have set aside £500,000.

The interim dividend of 8 per cent. less tax absorbed £879,000, and if you approve our recommendation of a final dividend at the same rate an equal amount will be required for that purpose. The sum of £628,000 is carried forward. I may point out that the dividends for last year, notwithstanding the unchanged rate, absorb a trifle less than those for 1937; the greater income tax provision this year has slightly more than offset the enlarged effect of the capital increase fifteen months ago.

BALANCE SHEET

Turning to the balance sheet, deposits are £34 millions below the record figure of December, 1937. The decline was concentrated in the last four months of the year, and represented the first stage of the process I described earlier in my address. It is natural that heavy withdrawals of foreign-owned funds from London should be reflected most clearly in the figures of the bank which transacts probably the largest share of the overseas business passing through London. For reasons I have explained, we should ordinarily be justified in regarding the shrinkage in total bank deposits as likely to prove no more than temporary; indeed, the first sign of re-expansion is already apparent in the restoration of cash reserves. You will notice that our cash on December 31st provided a ratio exceeding 11½ per cent. of deposits, whereas on some weekly make-up days within the last four months of the year the ratio was only a little above 10. With cash reserves replenished, therefore, we might reasonably expect a rapid recovery of deposits to the former level; but at present what would ordinarily be regarded as probable is subject to an important qualification. The banks, as I have mentioned on previous occasions, must look not only to the maintenance of a requisite cash ratio, but also to the provision of an adequate supply of supporting liquid assets, particularly bills. If they cannot find sufficient bills to keep up their second line of defence, they must maintain a stronger first line, by working to a higher ratio of cash to deposits.

This is exactly the position at the present time. The banks cannot proceed to a re-expansion of deposits on the restored cash basis, because they cannot acquire the bills they need to ensure fulfilment of their standards of liquidity. Our discounts of trade bills have declined by £9 millions over the year, and, so far from being able to make up a compensating total of Treasury bills, our holding of these has diminished by no less than £24½ millions. The supply of bills—and I speak here of Treasury bills, which provide the great bulk of the total—is determined in the long run by policy in respect of public finance. To illustrate the difficulties we have to contend with, I may mention that our holding of Treasury bills has been subject to an important qualification. The banks, as I have mentioned, have a maximum of £73 millions to a minimum of £27 millions.

In view of the seasonal inflow of taxation, there seems little prospect of a fuller supply of bills becoming available in the early future; hence the re-expansion of deposits may be delayed, even though it appears that the outflow of foreign money may now be coming to an end. On a longer view, however, provided bank cash is maintained at the restored level, and more bills are issued to the market, there is no reason to suppose that the decline in bank deposits as a whole will prove to be more than a passing phase.

ADVANCES

Money at call and short notice stands at about the same figure as a year ago; activity on the Stock Exchange has remained at a low level, and a smaller volume of bills is being carried in the money market, the decline in loans to bill brokers being offset, however, by other short money items. Advances are on balance £1 million higher, but, whereas in the first half of the year they continued to increase, since then trade conditions have led to a diminution of borrowing. I find from the quarterly analysis of our advances that accommodation for industrial and trading purposes reached its peak about May, the subsequent falling off having been more than enough to account for the reduction in advances as a whole. We must regard this movement, therefore, as being associated with the business recession, coupled with the fact that much of the industrial activity arising from the re-armament programme is financed without recourse to bank advances. One thing we can say very definitely; it has certainly been no part of our policy to press for

the repayment of advances, nor has there been any change in the standards by which we judge applications.

Investments are slightly higher, this being the net effect of purchases of short-dated securities earlier in the year, almost wholly offset by sales in the later months with a view to increasing our liquid resources. In conformity with our practice of entering investments in the balance sheet "at or under market value," we have made full provision to cover depreciation.

Our liabilities on behalf of customers show roughly compensatory movements. Acceptances are down by £3 millions, partly due to the shrinkage in the turnover of international trade, and partly to the smaller proportion conducted by the time-honoured method of London acceptance credits. Engagements are unchanged in amount, but the note on the balance sheet gives a figure for forward exchange commitments £4 millions higher on the year. The expansion is mainly in dollar liabilities, resulting from the disturbed conditions in the exchange market.

AFFILIATED INSTITUTIONS

To conclude my observations on the balance sheet, I would make just this reference to our affiliations. Our three related banks in Scotland and Northern Ireland have maintained throughout the year the high standards of strength and liquidity, combined with a full range of service to customers, which are common to them all. The amount of business undertaken by the Midland Bank Executor and Trustee Company increases consistently, necessitating additions to the staff and extended branch representation. Altogether, this company now operates through twenty branches, seventeen of which are in provincial centres.

You would perhaps wish me, before I sit down, to mention the special measures taken to protect the interests of our staff and customers against the physical risks of war. Already, when the crisis of last autumn occurred, our plans were well advanced in several directions. We had arranged for the duplication of ledger balances and other records as an insurance against the difficulties that might arise from destruction. Currency stocks in provincial centres were enlarged, to avoid any local shortage that might have resulted from transport difficulties. A scheme had been elaborated for decentralisation of head office management as far as possible. And for those who would of necessity have had to remain in exposed positions we had made such arrangements for personal protection as were feasible. In all urban branches our staff was organised to deal with the disturbances that might arise within the bank from air raids, and I may add that large numbers of them had volunteered for national service of one kind or another. All the measures evolved are being kept in working order and under constant review, ready to be put into action at short notice if, as we devoutly hope may not be the case, an emergency should arise.

THE OUTLOOK

The business outlook is still overshadowed by international anxieties, but, just as we have experienced sudden turns for the worse in foreign affairs, so we may yet experience an equally sudden change for the better. If this should happily take place there would be little doubt as to the probability of a marked recovery in business during the coming year. Even as things are, I think we may reasonably look for some modest improvement. In external trade, the Anglo-American agreement and the arrangements associated with it mark a big step forward in the direction of a larger volume of free interchange of goods over the greater part of the world. In domestic trade, we are probably far from having felt the full effect of the re-armament programme in stimulating output and employment. On all grounds, there is assuredly no room for despondency; our difficulties are there to be overcome, and a brighter future will reward the exercise of patience, courage and resource in dealing with the problems we are called upon to face.

The report was adopted, other ordinary business was transacted, and the proceedings ended with a vote of thanks to the Chairman.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

The Reporting Manager,

THE ECONOMIST,

8 Bouverie Street,

Fleet Street,

London, E.C.4

Telephone: Central 8631

THE NATIONAL BANK LIMITED

THE IMPORTANCE OF WORLD TRADE

MR M. J. COOKE'S ADDRESS

The annual general meeting of The National Bank Limited was held on the 26th instant at 13 Old Broad Street, London.

Mr Michael J. Cooke (the chairman), in the course of his speech, said:—It will be seen that our aggregate means are £41,275,000, while the proportion of our liquid assets to our liabilities to the public payable on demand is 56 per cent. We propose to pay the usual dividend at the rate of 12 per cent. per annum, less Income Tax, and we transfer £12,500 in reduction of bank premises account. The sum of £42,457 is carried forward. The number of accounts on our books, both in Ireland and England, continues to increase, and considering the conditions ruling, I am sure you will agree that the results are satisfactory.

The year has been characterised by very important events, both political and economic. The crisis of last September, culminating in the Munich agreement, and later, in the Franco-German non-aggression pact, might have been expected to produce far more detrimental effects than were actually the case. Apart from the cost of preparation for a possible war, and a certain inevitable loss of confidence at the time, which naturally adversely affected the banks, as well as other forms of business activity, it can be said with some justice that confidence is returning and that this country shows signs of determination to proceed, not only with defence measures of a precautionary nature, but also with a policy designed to improve her trade and stabilise her currency. Perhaps nothing but a severe shock such as the crisis could have brought about such a united desire to see these measures reach fulfilment. It should be realised, however, that the crisis, disturbing as it was to political and economic life, is as nothing compared with the consequences which would have followed in the train of war on a large scale.

TWO IMPORTANT AGREEMENTS

The Sino-Japanese and Spanish wars still continue, and, at a time so disturbed by wars and rumours of wars, the two trade agreements signed last year stand out in clear relief—that between England and Eire signed in April, 1938, and that between England and the United States of America signed in November. Nothing during the year has been so beneficial to the understanding between nations, and to the enlargement of the sphere of world trade, than these two Treaties. Trade is vital to all three countries and it is hoped and expected that Eire will benefit by the full working of the agreement with England, and that the textile trades, in particular, of both Great Britain and of Ireland will benefit by the American Treaty. This Treaty is particularly welcome as a first step on the part of a great country towards the relaxation of those restrictions which so hamper the normal course of trade and prevent such a redistribution of the world's goods as would give producers and traders their legitimate reward and prevent the anomaly of "poverty in the midst of plenty."

Considering the unsettled state of Europe in the last few months, the trade position is still good.

In Eire the harvest was the poorest for many years, owing to bad weather, but the cattle trade, on the other hand, showed a distinct improvement, due to the Anglo-Eire Trade Pact. The poor harvest has had one redeeming feature: it has focused attention on the agricultural situation. The Government has set up a Commission to investigate agricultural conditions, which it is hoped will show how agriculture, so essential to Irish economy, can be made once more one of Eire's most prosperous industries. The foreign trade statistics recently published by the Department of Industry and Commerce show that for 1938 imports decreased and exports increased in value compared with 1937, and that the adverse balance of trade was the lowest for some years.

Northern Ireland also had a disappointing harvest, the crops generally being well below the average, and the cattle trade proved unprofitable. The shipbuilding industry was employed on work for the Union Castle, Blue Star and Royal Mail Lines, and there is every reason to believe that the linen trade will benefit by the American Trade Treaty which has come into force this month. Foreign trade has increased, both in imports and exports, while the Commission appointed by the Government to inquire into the co-ordination of road and rail transport proposes measures which it is hoped will help to solve this problem.

In regard to Ireland generally, as you are aware, it is our practice to review the trading position in greater detail at the July meetings in Dublin.

The report was unanimously adopted.

NATIONAL PROVINCIAL BANK LIMITED

SATISFACTORY RESULTS IN DIFFICULT YEAR

DIVIDEND MAINTAINED AT 15 PER CENT.

A LESSON OF THE CRISIS: IMPORTANCE OF LIQUIDITY

HOME AND FOREIGN TRADE CONDITIONS

NEED FOR LESSENING OF BUSINESS RESTRICTIONS

MR COLIN F. CAMPBELL'S ADDRESS

The annual general meeting of the shareholders of the National Provincial Bank, Limited, was held at the head office, 15 Bishops-gate, London, E.C.2, on the 24th instant, for purposes of receiving the report and balance sheet, electing directors and auditors and transacting other ordinary business.

Mr Colin F. Campbell (the Chairman) presided.

Mr R. H. Cutting (the secretary) read the notice convening the meeting and the report of the auditors.

The Chairman said:—My lords, ladies and gentlemen,—During the past year I regret to say that the bank has lost through death three directors, Sir Harcourt Butler, Mr Colin Cooper and Mr Eustace Abel Smith. Sir Harcourt Butler joined the board in 1928 after long and distinguished public service in India and Burma. There were very few days when he was not in attendance at the bank, and his wide experience and commonsense outlook on life were always most helpful when discussing difficult problems. Mr Cooper had been a director for only six years, and with his boundless energy and enterprise we had looked forward to the benefit of his services for many years. Mr Eustace Abel Smith had been a director since the amalgamation with the Union of London and Smiths Bank in 1918, and prior to that he was a director of that bank from 1902. He was in every way a practical banker, and retained a very lively interest in the affairs of the bank both in London and in Lincolnshire where he lived.

The Rt. Hon. the Earl of Cromer and Mr R. D. Trotter have been appointed to the board since we met a year ago, and I have no doubt their appointment will meet with your warm approval. Lord Cromer was, for a period before the War, a managing director of Messrs Baring Brothers and Company, which gave him a close insight into international banking, and he is also a director of several other important companies. Mr Trotter, who is chairman of the Provincial Bank of Ireland, and has been a local director of our bank in London since 1918, has been trained in banking ever since he came down from Cambridge.

THE ACCOUNTS

I will now turn to the statement of accounts for the year ended December 31, 1938. I am pleased to be able to say that our business as represented by the number of accounts opened continues to expand.

Current, deposit and other accounts amount to £310,094,154, which is £10,152,260 lower than the figure quoted in the previous report. This reflects the general tendency of bank deposits to fall, a feature which was in evidence particularly during the last few months of the year. The weekly average of our deposits, on the other hand, was slightly higher than in 1937.

On the assets side, coin, bank notes and balances with the Bank of England stand at £34,320,774, and amount to 11.1 per cent. of our deposits. This large sum, I would remind you, is wholly unproductive—in fact, the movement of notes and coin to meet our customers' requirements costs a large sum annually. Money at call and short notice stands at £17,991,279, and bills discounted at £32,189,714. As would be expected in view of the fall in deposits, these balances are somewhat lower than those of a year ago. The return to the bank on these items continues to be very small. The Treasury bill rate for the year 1938 averaged nearly 12s. 3d. per cent. against 11s. 2d. in 1937. Investments have been reduced in volume during the year. Our policy has been to hold mainly redeemable stocks, a large percentage being short term, though this has involved some sacrifice of income. This course does afford some protection from violent fluctuations, but even short-dated securities are subject to considerable changes in price.

Advances at £139,586,103 show a small decline compared with a year ago, but here as in the case of deposits the weekly average

for the year was in excess of that for 1937. The figure represents 45 per cent. of our deposits as compared with 43.9 per cent. at the end of 1937, and reflects the attitude adopted by the bank towards its customers who may require additional funds for the development of their trade or business. We do our best to support industry in every possible way, and it is very gratifying to receive many assurances that our help through troublous times in the past has resulted in many trading concerns coming through to a period of relative prosperity.

PROFIT AND DIVIDEND

The profit and loss statement discloses a net profit of £1,771,785 as compared with £1,874,959 last year, which, having regard to the difficult times through which we have passed and the demands on us in the way of ever-growing expenses and taxation, is, we think, a satisfactory result. There is an increasing volume of work passing through the banks which entails an addition to expenses for which up to the present we have not been able to obtain adequate remuneration, and I doubt whether it is fully appreciated how greatly the services rendered by the banks have been extended in recent years.

The dividend continues at 15 per cent. as before, and after allocating £100,000 to bank premises and £250,000 to pension fund there remains to be carried forward £573,588, which is practically the same figure as last year.

DOMESTIC AFFAIRS

In taking stock of our position at the end of 1938, the feeling dominant in all minds must be that although ground has been lost in some directions during the year, the position might well have been disastrously worse. We faced the imminent possibility of war, with all its unspeakable horrors, in September, and the arrangements we were called upon to make during the crisis threw a heavy burden upon the management and the staff of the bank, besides involving us in considerable expenditure.

Looking back now on all that took place during that eventful fortnight, it is some consolation to know—and the knowledge should give us confidence for the future—that our great financial institutions can sustain the shock of such a grave crisis, although it should be recognised that so far as the Stock Exchange is concerned, minimum prices were introduced in the gilt-edged market. (Hear, hear.) These happenings clearly indicate that in these uncertain days nothing is more important than that the great banks of this country should continue to maintain a position of liquidity and strength even though this involves sacrifice of earning power.

TRADE FAIRLY WELL MAINTAINED

Domestic trade, according to reports obtained from our branches in all parts of the country, has been fairly well maintained throughout the year. Making allowance for the fall in prices, this impression is confirmed by returns of the Provincial Clearings which, with the exception of Bradford, Liverpool and Manchester, show relatively moderate declines. Further confirmation of a general nature is available in the official index number of the value of retail sales, which shows an appreciable increase in the total figure in spite of a substantial decline in the area figure for Central and West End London.

The Provincial Clearings of Bradford, Liverpool and Manchester, to which I have just referred, show declines of 20.7 per cent., 24.3 per cent., and 15.9 per cent. respectively. The prosperity of these three great centres is largely dependent on the woollen and cotton textile industries, and the deterioration indicated by the above figures is related in some degree to the great contraction of the export trade in textiles.

The position of the Lancashire cotton trade in particular, so far as exports are concerned, is grave, and it is to be hoped that the enabling bill now being considered will have the effect of bringing back a measure of prosperity to that sorely stricken industry.

If I may refer to some of our important industries other than the textile trades, our branches report that the manufacture of finished goods for the home market has been well sustained, and the falling off in exports is largely attributed to international conditions.

IRON AND STEEL

The iron and steel industry, apart from undertakings occupied in the manufacture of special products, has experienced a less satisfactory year. Broadly speaking the great activity of 1937 was carried well into the first half of 1938, but the second half of the year was disappointing. The reasons generally given are the high prices of pig iron and steel and consequent slackening of demand and accumulation of stocks. The recent reduction in the prices of a considerable range of these products is a welcome recognition of the fact that the activity of these basic industries is to a large extent conditioned by the replacement and extension demands of all other industries. It is permissible to hope that the wisdom of this step will be appreciated by other industries whose main outlet lies in the same direction.

Engineering, on the other hand, is more active now than a year ago and re-armament is given as the mainspring of this activity.

SHIPBUILDING

Shipbuilding, generally speaking, has been fairly well occupied in completing contracts, but the outlook is not reassuring. Construction of both large and small vessels on Admiralty account has kept some areas busily employed, but new orders for mercantile craft have been disappointing, although as an exception a contract has just been placed by Turkey for eleven ships.

This well equipped and efficiently managed industry is seriously handicapped by unfair and subsidised foreign competition, and in view of its vital importance to the nation it is to be hoped that early steps may be taken to ensure that it receives a fair share of the construction and repair of merchant vessels.

Shipping has been seriously affected by the decline in the volume of world trade: idle tonnage being now much greater than a year ago.

The scarcity of cargoes has involved a severe fall in freight rates, the average index for 1938 being 126.9, as compared with 175.6 for 1937. In the present state of world affairs it is not possible to regard the deterioration of the position of this great industry as a matter apart from the strategic position of this country, and the movement at present on foot designed to enlist the support of the Government for this industry must command the sympathy of all those who take a broad realistic view of our situation.

OTHER INDUSTRIES

The brick and cement industries report a decline in housing demand, though the output in cement is maintained to some extent through orders on Government account and the erection of works connected with re-armament and national defence.

The position of the coal and coke trades, both of which depend on the metallurgical industries to take a considerable proportion of their total output, has deteriorated to a marked extent.

A measure of the situation facing the coke industry is shown by the number of furnaces in blast. As against an average of 124 in 1937, the number in blast in the first and second half of 1938 average approximately 99 and 80 respectively.

Exports of both coal and coke for 1938 have ruled well below the figures of 1937. Here, however, the decline in activity must be regarded as part of the general reduction in foreign trade. Actually both in output and exports it is likely we have well maintained our share of world production and export trade.

AGRICULTURE

One of our largest industries—agriculture—is in a depressed state, despite the subsidies. Farmers of both arable and pasture land have two main complaints, the price of barley and the price of sheep, both of which are much lower than twelve months ago. Districts where concentration on these two commodities occurs are very depressed. Elsewhere, though other agricultural prices too are lower, the mixed farm seems able to hold its own.

Earlier in the year drought was responsible for a disappointing hay crop, and caused a serious decline in the yield of sugar beet

which was also attacked by the Aphis fly. Bulb and flower farms suffered too from lack of moisture, and fruit crops were poorer. Later crops, notably potatoes and wheat, were good, with the result that prices declined.

There is ample evidence that Government assistance plays a considerable part in deciding what crops or type of stock the farmer invests in. Milk production has engaged the attention of farmers to an increased degree and the swing towards pasturing has also received encouragement from the beef subsidy.

NEW INDUSTRIES

At a time when some of our old-established industries are finding it difficult to maintain their markets, it is well to bear in mind that with the progress of science and the discoveries which are continually brought to light, new industries are being built up which find employment for a considerable volume of labour. Among these industries the cinema world occupies a foremost place.

It may not be realised that the box office receipts can fairly be estimated at £50 millions per annum gross, of which £5/6,000,000 passes to the Revenue by way of Entertainments Tax, nor is it realised that the admissions to cinemas amount probably to 23 millions in a week or, say, 1,200 millions in a year.

Films are produced to meet the tastes of every class in the community and the development of educational films is one which it is hoped may receive increased attention. There is no doubt that much good can result from showing pictures which draw attention to the beauties of Great Britain as a country and extend knowledge of its trades and industries.

Last but not least, in this industry alone it can be stated that from the point of view of labour, direct employment is given to not less than 200,000 people, while indirectly employment is given to a much larger number. I think it may be taken as a matter for satisfaction that this bank has been able to play an important part in the development of this new form of entertainment and education.

UNEMPLOYMENT FIGURES

I cannot pass by the domestic situation without reference to the unemployment figures. These, unfortunately, have been a good deal higher in 1938 than the average of 1937, and as far as gross figures go, we are in about the same position as we were in the summer of 1936. Of the additional unemployed, one group of industries—textiles (mainly cotton and wool)—accounts for an unduly large share. It seems to be certain that as consumption in the home market has been fairly well maintained the increase in unemployment over this period must be mainly attributable to the contraction in our foreign trade.

FOREIGN TRADE

It is sometimes pointed out that the volume of our domestic trade is much greater than that of the export trade, and the inference is drawn that more attention should be paid to developing the home market. Without in any way minimising the importance of the home market, it must be said that this idea is superficially as attractive as it is inaccurate, particularly when conditions in overseas trading are as difficult as they are at present. A vigorous and flourishing export trade is, in the case of this country, a condition of the very existence of domestic trade. Any appreciable contraction of the volume of our foreign trade must reduce general prosperity and be reflected sooner or later in a decline in the general standard of living.

The difficulties which face exporters are not peculiar to this country. The volume of world trade has not yet regained the level of 1929 and present international competition is confined to a field not only smaller than in pre-slump years, but one which should, because of the increase of populations of most countries during the last ten years or so, have expanded well beyond the 1929 level. The real task which confronts the great trading nations is not that of seeking to increase individual shares of a restricted market, but to do away with the impediments and restrictions which still limit the total volume of international trade. If we may be guided by the League of Nations latest published analysis of the quantum of world trade, the United Kingdom has more or less held its proportionate share over the last nine years.

INEQUITABLE COMPETITION

Although we still maintain our share of world trade, we cannot ignore the existence of practices, new to the conduct of international commercial affairs, which distort normal economic channels of

trade and may eventually inflict lasting damage upon our export industries.

In times of difficulty, like the present, there may be a disposition to over-rate the permanence of what appears to us to be inequitable competition. Subsidising exports can only in the long run impoverish the nation pursuing such a policy and there is also evidence that some countries which have entered into bulk export and import bargains are finding actual business much less attractive than seemed likely to be the case.

NEED FOR CONCERTED ACTION

None the less, although there is some reason to think that inequitable and subsidised competition is not likely to be permanent, we must, in view of the paramount importance of our export trade, be prepared by concerted action of industries concerned, together with Government support, to meet such competition, and it is satisfactory to know that discussions have already taken place with this end in view.

The special attention which is being devoted to the revival of British export trade by both the Association of British Chambers of Commerce and the Federation of British Industries is a matter of supreme importance.

The knowledge that our leading industrialists are placing their unrivalled experience at the disposal of these representative bodies is a factor that cannot be over-estimated.

THE EXCHANGES

When considering the causes which have brought about the reduction of our foreign trade over the past year, it cannot be doubted that over-valuation of the pound played some part. This factor has probably been more or less adjusted at the present exchange level, but human affairs are proverbially uncertain, and irregular fluctuations in the real worth of independent currencies are to be expected. Our task is to endeavour to curb and compensate them whilst recognising that we cannot abolish them. Reasons connected with the crisis of 1931 led to a policy of low money rates inside the country and left disparities between the external and internal values of the pound to be manifested in fluctuating exchanges. The responsibilities placed upon the management of the Exchange Equalisation Account were given by the Chancellor of the Exchequer when he said that the object of the Exchange Equalisation Account was to make the exchanges more steady and to aim at restraining undue oscillations.

To carry out this function is not so simple as to state it, for it implies an unerring diagnosis of the causes of unusual pressure on the exchanges. It implies an immediate recognition of an over-valuation or an under-valuation of the pound. It implies exact knowledge of the nature of an over-valuation or under-valuation—whether it is likely to be temporary or long-lived. And it also implies, having regard to the International Currency Agreement, the acquiescence of other nations in such correctives as our own authorities may think desirable. The task of those who "manage" our money is thus, from the external point of view, a formidable one.

The huge amount of gold which the Exchange Equalisation Account accumulated over a period of years has enabled the authorities to deal satisfactorily with the withdrawal of the large quantities of floating funds which have left this country in recent months.

DEALINGS IN FORWARD EXCHANGE

It is important, however, that the operations of irresponsible parties should be reduced to a minimum. An unnecessary element of uncertainty is introduced through their operations on the "forward" market. Dealings in forward exchange are essential in modern times, more particularly for those who are engaged in the movement of produce, but dealings by those whose only object is to make a turn on the market should be discouraged. It should be borne in mind that abuse of facilities offered by free markets has led elsewhere to restrictions not only detrimental to the Exchange market, but much more harmful to traders and others who rely on its efficiency.

It is gratifying to note that, notwithstanding the embargo on long-term borrowing recently imposed, several medium-term foreign credits have been arranged, under the authority of Government, which have secured for the benefit of the country valuable export orders. It is to be hoped that the increased facilities recently proposed for the Exports Credit Guarantee Department will have the effect of extending still further our trade on credit terms which are not unduly long.

U.S.A. AGREEMENT

The Anglo-American Trade Agreement is a matter of the utmost importance and we are justified in believing that it will have a far-reaching effect of the most favourable kind on the trade relations between the two countries and, indeed, with the British Empire, especially as traders can now take a three-year view of conditions. Article 18, relating to currency fluctuations, is one that is worthy of particular notice in view of its fundamental importance. It is true that such an article is not unique in the history of our trade agreements for something similar is to be found in the Anglo-French Treaty of 1934, but its very existence is evidence that the contracting parties do not intend to allow extraneous matters, over which neither of them have complete control, to vitiate a valuable agreement which is the outcome of prolonged discussion and exchange of experience.

THE OUTLOOK

When we come to consider the future course of world trade, we are compelled to adopt a short-term view in face of international uncertainties with which we are surrounded. Given normal conditions, the guiding factors are price tendencies, stocks of goods for consumption, and general demand.

The course of both wholesale and retail prices during the past twelve months would seem to indicate that both have reacted to an extent that justifies us in thinking that prices are now on a much firmer basis.

The contraction of demand of the United States in world markets was a most important factor in the fall and prolonged weakness of a large number of commodity prices, and it is reasonable to expect that a sustained resumption of activity in that great country would tend to strengthen world prices and restore confidence to the primary producing areas. There has already been a marked recovery in the United States which I hope may gather strength, founded as it is on a broad basis of expenditure on capital goods. It is true that some time will have to elapse before the spending programme will be in full operation and that immediate progress may be slow, but in the end it is permissible to take a hopeful view of the course of U.S.A. development.

Stocks of consumption goods, which both in the United States and this country showed a rising tendency for the most part during 1937, have now been substantially reduced according to official figures.

Thus on the score of prices and stocks there is justification for the view that the situation at present is more healthy than it was a year or so ago when prices were still falling and stocks were accumulating.

REARMAMENT EXPENDITURE

A further consideration which cannot be ignored when looking into the future is the enormous expenditure to which the country is committed in connection with rearmament. I am not thinking so much of the provision of the money required, for this can be provided without excessive strain, more especially in view of the fact that the people of this country have expressed themselves quite clearly that it is their wish that the country should be strong enough to resist all eventualities. What I have in mind is the economical outlay of the money so provided. We need both assurance and confidence that waste and extravagance are being carefully watched so that the final result will prove to have been good value for the money expended.

When all has been said regarding future prospects, we are still left with the over-riding consideration of international political factors. Both in Spain and in China, war drags on its miserable course. Apart altogether from the direct cost in human suffering, both disputes inflict untold injury and loss over a wide area. The war in the Far East in particular has this year developed to the serious detriment of the trade of not only this country but of all countries whose normal trade and prosperity are bound up with that of China. What the future has in store for that vast country no one can foresee, but the powers of recovery of the Chinese are proverbial and I believe that in the end there will be once again a substantial trade passing between that country and Great Britain.

When we look nearer home and think of the series of shocks and crises to which the world in general was exposed in 1938, it is too much to hope that the desire for peace—so strong in this country—which has been increasingly made manifest by the plain men and women living in the great and powerful countries in Europe will prevail over all other considerations, and that both they and ourselves will be enabled to live our lives and to carry on our daily duties this year without the spectre of war being ever before us. (Applause.)

I now beg to move:—"That the report and accounts, as presented, be received and adopted."

Captain E. C. Eric Smith, M.C. (a Deputy-Chairman), seconded the motion, and, the Chairman having replied to shareholders' remarks, it was carried unanimously.

The chairman then proposed the re-election of Mr George Finch Hotblack, Sir Alfred Edward Lewis, K.B.E., Sir Austin Low, C.I.E., and the Right Hon. Lord Riverdale, K.B.E., the Right Hon. The Earl of Cromer, P.C., G.C.B., G.C.I.E., G.C.V.O., and Mr Richard Durant Trotter, as Directors.

Captain Smith seconded the motion, and it was unanimously adopted.

On the proposition of Mr Dudley H. Illingworth, seconded by Mr John Cadogan, Sir Nicholas Edwin Waterhouse, K.B.E. (of Messrs Price, Waterhouse & Co.), and Sir William Henry Peat, K.B.E. (of Messrs Peat, Marwick, Mitchell & Co.), were re-appointed auditors for the current year.

VOTE OF THANKS

Mr John B. Braithwaite moved a vote of thanks to the Directors, General Managers, Branch Managers, and other Officers of the Bank for their efficient management and services.

Mr J. Scovell Adams seconded the vote, which was cordially passed, and brief acknowledgments were made by the Chairman and by Mr Ernest Cornwall (Chief General Manager).

A vote of thanks to Mr Colin Campbell for his able conduct in the chair, proposed by Mr Theodore Goddard and seconded by Mr H. Carron Scrimgeour, concluded the proceedings.

THE UNION DISCOUNT COMPANY OF LONDON, LIMITED

POSITION STRONGER THAN EVER

SIR WILLIAM GOSCHEN'S REVIEW

The eighty-first ordinary general meeting of the shareholders of the Union Discount Company of London, Limited, was held, on the 26th instant, at the offices of the Company, 39 Cornhill, London, E.C.3.

The Hon. Sir William H. Goschen, K.B.E., the chairman, presided.

The Secretary (Mr C. W. Holliday), having read the notice convening the meeting and the auditors' report,

The Chairman said: Gentlemen, I presume you will take the report as read. (Agreed.)

It has been my custom for many years before I address you once again on the outlook—domestic and international—to refer to what I said to you a year ago and compare that with what has happened since.

I mentioned then the adoption of policies of national finance with all their restrictive effects as opposed to international finance, which policies have not since been altered, and though the Anglo-American Trade Treaty has been signed it will be some time yet before its results on world trade can be measured with precision.

CATASTROPHIC FALL IN COMMODITY PRICES

It is true that the 1937 catastrophic fall in the price of raw materials has not gone much further—except in the case of wheat, which has fallen from 7s. 3d. to 4s. 6d., a percentage fall of 38 per cent. since the beginning of 1938.

The failure of raw materials generally during 1938 to make some important recovery has been a disappointing factor to an exporting country like our own, and while we do not desire to pay too high a price for wheat, of which we import relatively more than any other Great Power, moderate prices for commodities would suit both sellers and buyers better, as the extent of our industrial exports depends on the producers of primary commodities obtaining a margin of profit on their sales to us in order that they can buy their imports from us and make such exchanges of goods mutually beneficial.

The Government's policy of cheap money has not been changed and so long as the U.S.A. retains the monopolistic position she does as the world's greatest holder and magnet for gold, it is difficult to see how any reversion to a dear money policy can be advantageous in any way to a country which has never-ending increases of National Debt.

DANGERS OF POLITICAL SUSPICION

Last year I emphasised the fact that political suspicion was one of the greatest dangers this country had to face, and it is due to the fact that we had a Prime Minister in power last September possessing all the qualities of character, vision and goodwill in accord with the traditions of our race that war was averted.

That was one of the fortunate happenings of 1938 and another was, I believe, the great reduction of the excessively large foreign balances which had accumulated in London for some years through anti-social and anti-national flights of currency from one country to another. Surely France's repatriation of much of her large London balances is a gain to her as well as to us, her ally, with only a temporary period of inconvenience to ourselves.

Keeping this in mind when making comparisons of total figures of balance sheets, one would naturally expect to find 1938 to be a year of contraction, especially in view of the fact that the deposits of the Big Five alone show a reduction of £80 millions, and the issues by tender of Treasury bills were reduced during the year by £148 millions from £622 millions at January 1, 1938, to £474 millions at the end of December of that year.

REBATE

When discount and money rates are very high, the total under this heading must be very high also, for example, in 1927, our amount of rebate was almost £800,000. This does not mean that the margin of hidden reserves behind these large figures is necessarily very great. In recent years when discount rates have been mainly between $\frac{1}{2}$ per cent. and $\frac{3}{4}$ per cent., the rebate itself at such low rates must inevitably be small.

For some years, you will have observed that the rebate total in our balance sheet has not varied very much, and that its former description as "rebate" has been changed to "rebate provision and reserve." Any rise in the rate of discount, especially from a bed-rock present level round about $\frac{1}{2}$ per cent. means a loss—in fact, no discount profits can be made on a rise in bill rates before the loss relating to all bills in stock at lower rates is first offset by the profits on purchases at the higher rates.

AMORTISATION

Our company has been a pioneer, so to speak, as large holders of short-term securities, in the discount market. We have recognised all along the essential differences that exist between the holding of short-term securities and bills of exchange, especially when short terms carry high nominal rates of interest, say, from $4\frac{1}{2}$ per cent. to 6 per cent., which means that the premiums to be amortised annually must be high and the current yields obtainable, much below the nominal interest rates. It has to be remembered, too, that the technique of amortisation in dealing with bonds of this class can only be known through experience, as the risks of under-amortisation are not obvious, nor are the effects of under-amortisation on future earnings generally understood. Further, the capital loss on bonds of this class in times of crisis is likely to be much greater for the same reasons. So it is wise, for amortisation purposes, to assume an earlier date of maturity and have provision for amortisation completed before the actual due date, if one is to be on the safe side.

The gross profits for the year, after making provision for rebate, contingency and taxation, including N.D.C., amount to £336,835 against £326,276 last year. Directors' fees and current expenses £75,677 against £75,738. We have paid an interim dividend amounting to £74,766, and have placed £15,000 to staff provident fund, and we now ask you to approve the payment of a final dividend of £124,609, carrying forward £250,047 against £203,264 last year.

POSITION OF DISCOUNT MARKET

The financial Press has lately been full of articles implying that the discount market as a whole was on the down grade. Well, that is not true of all its members, and you will be pleased to hear that our Company is stronger to-day than it ever was at any previous time in its history.

I now beg to move that the report of the directors and accounts for the year ending December 31, 1938, be received and adopted, that £15,000 be placed to the staff provident fund and that a final dividend for the half-year of 1s. 3d. per £1 unit stock, less income tax, be declared, payable on and after the 28th instant.

Mr A. Louis Allen seconded the resolution, which was carried unanimously.

The retiring directors, the Hon. Sir William H. Goschen, K.B.E., and Mr Robert Holland-Martin, C.B., were re-elected, and the auditors, Messrs Deloitte, Plender, Griffiths and Co., and Messrs Turquand, Youngs, McAuliffe and Company, were re-appointed.

A cordial vote of thanks to the chairman, directors and staff concluded the proceedings.

WESTMINSTER BANK LIMITED

PROFIT SATISFACTORY IN VIEW OF PAST YEAR'S EVENTS

A STATE OF "MODERATED ACTIVITY"

CONTRACTION OF OVERSEAS TRADE: PROBLEM OF RETAINING MARKETS

EFFECTS OF POLITICAL MANŒUVRES AND NATIONAL EXPEDIENCY

TOTALITARIAN NATIONS DEVELOPING NEW METHODS

THE HON. RUPERT E. BECKETT'S ADDRESS

The annual general meeting of the Westminster Bank Limited was held, on the 25th instant, at the head office, 41, Lothbury, London, E.C.2, the Hon. Rupert E. Beckett (chairman of the bank) presiding.

The secretary (Mr J. H. Arnold) having read the notice convening the meeting and the report of the auditors, and the directors' report, the balance sheet and the profit and loss account having been taken as read,

The Chairman said: My Lords, Ladies and Gentlemen,—The only change that I have to report in your directorate is that Lord Runciman has resigned his seat on the board. This is due, of course, to his having again taken office under the Government. His colleagues much regret the loss of his valuable services to the bank.

It is fitting that I should make some reference to our past secretary, Mr Frederick Mytton, who retired in February last year after no less than forty-seven years' service in the bank. He gave of his best in whatever post he occupied, and for the eighteen years during which he was our secretary, his ability, tact and discretion earned him the good will and respect of all with whom he came into contact.

BALANCE SHEET

There are some points in our balance sheet to which I will draw your attention. The total of our current, deposit and other accounts as compared with the figures for 1937 shows a drop of over £22 millions. This, however, must not be taken as representing a diminution of that amount during the whole year. As a matter of fact our average for the past twelve months shows a materially higher figure. It is fortuitous that at December 31st last the showing was as disclosed in the balance sheet. The big movements in deposits have occurred in those offices where such variations are to be expected. They have arisen out of the abnormal conditions which prevailed during the past year, and have naturally included the loss of foreign deposits in sterling. Our provincial branches have not been affected in the same manner; their deposits have been well maintained, and the fluctuations that have occurred have been no more than the ebb and flow ordinarily expected in banking business.

When making my address to you last year I was able to announce a satisfactory increase in our advances to customers and other accounts during 1937 by some £11 millions. This increase—as indeed was to be expected—has not continued, and the amount of our advances shows on the year a decrease slightly in excess of £2,300,000. One regrets, naturally, to see any contraction in this, the most profitable item in our accounts, but the fact that so many industries are engaged on Government work, and that there has been a slowing-up of general trade, is sufficient to account for the change in the situation.

As regards our premises, we have undertaken no building operations of magnitude during the past year. I can report the satisfactory completion and occupation of our premises at the junction of Old Broad Street and Threadneedle Street as the headquarters of our trustee and executor department. The building gives general satisfaction, I think, to our clients and certainly to our own officers. If there is a criticism, it is that owing to the shape of the building it will be difficult to find means for the expansion which sooner or later a trustee department seems inevitably to entail. I will mention here that we are opening in Bournemouth another branch bank, to include a trustee department. We hope that this will be ready for business about the end of next month, and judging by our experience in other centres, we anticipate that this extension

of our trustee and executor department will be extensively used and appreciated.

PROFIT AND LOSS ACCOUNT

I now come to the results of the past year's trading. The profit for the year amounts to £1,557,161. This enables us to declare the same dividends, amounting for the year to 18 per cent. on the partly-paid shares and to 12½ per cent. on the fully-paid shares. I seem to hear a still small voice murmuring a regret that it has not been possible to repeat the bonus of last year, but I would point out that this is only in accordance with my warning that such bonus was on no account to be taken as an anticipation of similar benefits in years to come. Considering the events of 1938 as a whole, the crisis that supervened in autumn, the diminution of world trade, and the lessened resources at our disposal, I hold the opinion that the profit declared is satisfactory, and in conformity with what might be reasonably expected. It enables us to maintain the allocation of £300,000 to the officers' pension fund, a most necessary item, to place £100,000 in reduction of premises account, reducing last year's balance sheet figure by £35,000, and to carry forward £526,000, against £496,000 brought in.

Our affiliation in Ireland, the Ulster Bank, shows a slight diminution in profit, but has been able to make the usual allocations and to pay the same dividend to the parent bank. Those in charge of our auxiliary, the Westminster Foreign Bank, are to be congratulated in that the bank earned a fair profit, and has been maintained in the state of liquidity appropriate to the changes and chances that confront it from time to time.

THE ECONOMIC SITUATION

In my address to you at our last annual meeting, I summarised our economic history in 1937 as one of continued progress during the greater part of the year, succeeded by a slight but perceptible pause in the closing months. In the early part of last year, this pause developed into a definite recession, with a decline of considerable rapidity in some spheres. Fears were widely entertained that we were on the downward path to severe depression. And indeed, as events unfolded, there was some justification for such fears, especially as the economic influences tending towards recession were rendered more formidable by the acute political tension. Again a stage was reached, however, though at a lower level, when little perceptible change was visible, and for more than half a year business as a whole neither advanced nor receded. It is in this state of moderated activity that we still find ourselves to-day.

Of the statistical evidence that could be adduced, I need quote only a few of the most representative items. For more than five years the Board of Trade's index of production, allowing for seasonal variations, had moved consistently upwards, but last year a decline was registered, and the average for the first three quarters was 6 per cent. lower than in 1937. The composite index of business activity published by *The Economist* averages 112 (1935 = 100) for 1937, and 104½ for the first eleven months of 1938; an eight-months' period of almost uninterrupted decline came to an end last May, and since then there has been no pronounced change. The trend of unemployment figures was also indicative of the state of inertia which succeeded the first abrupt setback. A sharp increase, adding 420,000 to the total of unemployed, occurred between October, 1937, and January, 1938, but since then the monthly fluctuations have produced no decisive movement either up or down. The numbers of those in employment, though also varying month by month, showed little change in the latest total from that of a year ago.

TEXTILE INDUSTRIES

The fortunes of individual industries were largely conditioned by the degree of their dependence upon exports, and although a falling-off in home trade was seen in some directions, it was in overseas trade that deterioration was most severe. The textile industries were among the worst hit, and exports of cotton and woollen and worsted goods were about 25-30 per cent. less in volume than in 1937. The cotton trade suffered from a temporary boycott in West Africa, its second most important market for piece-goods, and from unfavourable developments in certain other outlets.

Some indication of the retrogression of the trade in the past two years is afforded by the fact that, after the elimination of over 4½ million spindles, the excess capacity is greater to-day than it was when the process was begun. Preparation of the Cotton Industry Enabling Bill, by the enactment of which it is hoped to secure much-needed internal improvements, makes slow headway. The trade's proposals are now under consideration by the various sections of the industry, and it remains to be seen whether sufficient unanimity can be secured to warrant the next step of incorporating the proposals in a Bill for parliamentary consideration.

In the wool textile industry, raw material values were on a lower and steadier basis during the year, but the disturbance of overseas markets greatly impeded progress, and the home demand showed no compensating increase. A large carry-over of contracts effected at previous higher rates was a hindrance during part of the year, but with these dear contracts now out of the way, business prospects are somewhat brighter. The rayon trade experienced a very moderate demand for its products, but there was a slight improvement towards the end of the year.

COAL, STEEL AND SHIPBUILDING

For the first time since recovery from the general depression, production in the coal industry and in the iron and steel industry was last year less than in the preceding year. At home, coal consumption was well maintained, but exports were 11 per cent. below those in 1937, the fall being due principally to the exceptional competition of countries which were content to disregard price considerations. The total production of coal, at 229 million tons, was also lower, by approximately 11½ million tons. It is of interest to note that, as recently as 1929, our exports of coal represented over 80 per cent., measured by volume, of our total exports, and it is satisfactory to know that both the Government and the industry itself have specially emphasised their recognition of the vital importance of this trade and their determination to do all that is possible to maintain it.

The output of steel, at 10,394,000 tons, was 2,590,000 tons (or 20 per cent.) less than in 1937. The decline became apparent in the second and third quarters of the year, and some recovery occurred in the fourth quarter. This late recovery would probably have been greater, had not buyers been anticipating price reductions at the year end, which have now been announced. At 6,763,000 tons, pig-iron production showed a fall of 1,731,000 tons, or 20 per cent., partly as the result of the smaller requirements of the steel industry, but also on account of the gradual substitution of steel for iron in the manufacture of articles of everyday use. Engineering, which had been fairly flourishing, became somewhat less active in the closing months of last year, but certain important branches remained busy. The building-up of the country's defences has given rise to a large volume of work for many sections of the industry. Engineering was one of the few major industries able to improve on its export figures for the previous year. Shipbuilding slipped further into depression, with private orders dwindling almost to vanishing point. Admiralty work was thus a very welcome support, but a great many yards remain bare of orders. Throughout the year, it was difficult to secure employment for vessels, and freight markets, after a great upward bound in 1937, followed an irregular course, at a considerably lower level, rates being on an average 28 per cent. below those ruling in 1937.

The year was a disappointing one for agriculture, with few favourable developments to offset many adverse features. Large losses were incurred through considerable falls in the prices of livestock, and although crops were good, with that of wheat exceptionally large, the marketing of them produced poor returns. Whilst tribute may be paid to the Government for its efforts in various ways to assist agriculture, there is still much to be accomplished, not least in order to secure the maximum production of home-grown produce, as a measure of defence.

SHRINKAGE OF WORLD TRADE

This country has inevitably been a heavy sufferer from the shrinkage of world trade, though our import and export trade has

sustained a somewhat smaller reduction than that of the world as a whole. Thus, while the value of world trade in the first ten months of 1938 fell by 13 per cent., that of our own fell by 8 per cent. The economic evolution of the world has considerably diminished the demands of other countries for many of our products, while not sensibly lessening our dependence upon imports. It is true that a marked expansion of our home trade in recent years has enabled us not only to maintain but to increase substantially our total production. But this is a process which cannot be continued indefinitely even by those countries most favourably endowed by nature; and for us, who have relatively few indigenous products, home trade can never take the place of export trade, because we must buy abroad, and in order to buy we must sell.

The contraction of our overseas trade last year was accompanied by an important change in its balance. The reduction in imports having been greater than that in exports, the gap between the two narrowed—by £43 millions. To bridge this gap, we look to our invisible exports, arising mainly from our shipping, banking, insurance, and kindred services, and income from overseas investments; and unfortunately there is no room for doubt that these will themselves have suffered considerable reduction through the diminished activity of international trade.

There is thus every probability that our income from exports and from these other items will have failed to cover payment for our imports by a margin not greatly different from that of the previous year, which according to the estimates of the Board of Trade was £52 millions. For three years in succession, our overseas trading has resulted in deficits of substantial dimensions, and even though these deficits have arisen partly out of abnormally large and essential imports for re-armament purposes, which, of course, produce no compensating exports, they give legitimate cause for concern. We cannot go on indefinitely buying more than we can pay for without making inroads upon the capital accumulations of past years, and to rectify this position, as most of our imports cannot be excluded to any significant extent, it is vitally necessary to expand our exports.

EFFECT ON STERLING

The heavy excess of imports over exports would inevitably have imposed a considerable strain upon sterling in the foreign exchange market, even in more tranquil times. In this era of sudden alarms and upheavals, fears for the safety and stability of currencies have been frequent and widespread, and fugitive capital has moved very freely from one financial centre to another. Sterling, because of its unique position, has had to bear the brunt of these movements, and in view of the magnitude of the disturbances, especially during the past year, it was hardly to be expected that our currency would come through unscathed. In January last, the £ sterling had an average value of \$5.00. It moved upwards in February, but thereafter fell away steadily month by month. The September crisis caused a precipitate fall to \$4.60, and although a partial recovery followed, the rate at the close of the year was only \$4.65. The Exchange Equalisation Fund has proved its worth as a defensive weapon. Without the assistance of this great buttress to our exchange, it would have been impossible to withstand onslaughts on the unprecedented scale recently experienced.

BRITISH TRADE JEOPARDIZED

The past year has seen certain developments which have not only intensified existing trading difficulties but created others, and the problem of retaining some of our old markets is becoming as difficult as that of finding new ones. Our trade with certain countries which owe their development largely to British capital investment in the past is threatened with extinction. The "open door" in China has been closed, and promises to be bolted and barred; in Mexico, the arbitrary expropriations of the Government have created a very unfavourable impression, and prejudice our exporters in future trade enterprise with that country. In many other countries where British interests were well established, particularly in South-Eastern Europe and South America, they have been seriously jeopardized by the intrusion of political considerations and influences into the economic sphere.

Fair competition British traders can meet, but to-day the destination of business is frequently decided not by competitive efficiency but by political manœuvres and considerations of national expediency. A new, and more subtle, form of trading has come into vogue, in which one country undertakes to absorb another's output of a particular crop or material. A primary producing country naturally finds the prospect of securing an assured market for its products an alluring one, but in practice the interchange has

proved to have considerable drawbacks. The dominant partner in the agreement, whilst itself receiving much-needed raw materials, has been able to dump inferior or unwanted goods on the other. In addition, the latter has found itself deprived of the foreign exchange that would have accrued if its goods had been sold through normal channels. But these are the lesser evils. Far more important is the sacrifice of freedom of action by the smaller country, bringing it under a sort of economic hegemony, which may eventually lead to a political hegemony.

NEW METHODS

In the development of these new trading methods, the totalitarian nations have displayed remarkable ingenuity, and they have made full use of the advantages derived from their system of government, whereby the whole resources of the State can be marshalled behind its traders. To all intents and purposes, the State is the only seller and the only buyer; the State is a manufacturer in bulk, paying wages fixed by itself; capital and labour can be transferred without a moment's delay from one part of the economic organisation to another; rapid decisions can be made without the necessity for consultation among all the parties concerned; and if the interests of the State as a whole demand it, goods can be either sold below or bought above world prices.

What weapons have we with which to counter competition of this description—a competition utterly different, not only in magnitude but in kind, from any we have been accustomed to meet in the past? The Secretary to the Department of Overseas Trade struck the right note when he said that if the countries concerned continued to employ these unorthodox methods then we should fight them at their own game, and if we fought we should win. These words will have to be backed by deeds. The lack of success that has attended our efforts hitherto makes it certain that the old methods must be overhauled, and it may well be that new and novel methods will have to be devised and practised. All the advantages do not lie with our competitors, and there are some respects in which we enjoy a distinctly more favourable position. In the first place, our financial resources and our free exchange give us a decided pull. Neither those who sell to us nor those who buy from us need have any fear of becoming enmeshed in complicated exchange difficulties. We are still the world's greatest buyers, and we have this additional advantage—that we are not tied to any particular supplier; our importers are free to operate in any market.

BULK SELLING

It is as a seller that a totalitarian regime has its greatest trading advantage, and in this sphere we can perhaps learn something from our competitors, without adopting all their methods. As I see it, their bulk selling, under the aegis of the State, will have to be countered by bulk selling on our part. However much it may offend against our characteristic ingrained individualism, and however great may be the difficulties of securing co-operation among trade rivals, we have voluntarily to forge a weapon capable of resisting this new form of attack. Our industries cannot hope to compete successfully in foreign markets unless each is organised to speak, to negotiate, and to bargain, as a unit. Such a course would afford great scope for economy through the elimination of redundant sales machinery, and at the same time the pooling of resources, information and market knowledge would enable a more efficient and progressive service to be established. In the past, the loans which we made to developing countries abroad paved the way for an increase in our trade, but the virtual cessation of such lending has deprived us of this valuable aid.

Various organisations of industrialists and traders have devoted much attention to the study of methods whereby the whole of our export trade might be revived, and their recommendations will no doubt receive careful and sympathetic consideration in official quarters. Meanwhile, the Government has not neglected its opportunities to work for the same end. The Export Credits Guarantee Scheme, which in the past few years has been instrumental in attracting a substantial volume of trade to this country, has recently been extended. Further, a number of important trade agreements, including those with the United States and with Eire, have been concluded during the past year, which should effect a broadening of our trade.

SELF-SUFFICIENCY

It has lately become evident that even totalitarian countries are more keenly alive to the need for increased export trade, although

the aim of self-sufficiency still governs their policies. So long as the emphasis remains on this policy, concentration upon indigenous products must deny to their people the enjoyment of a great variety of articles which are available outside their own borders, this denial being part of the price paid for self-sufficiency. In these countries, substitutes for a number of products such as wool, cotton, and rubber, are being widely exploited, and many have been brought into use, but these are usually less satisfactory, and far more costly to produce, so that not only is the range of goods available in these countries restricted, but the goods themselves are relatively dear.

The standard of living has undoubtedly been depressed, because food, clothing and some everyday necessities have been either lacking in quantity, or of inferior quality, or too costly to buy. It is certain that the past year has not alleviated, but intensified, hardship in these countries, and it is well to bear in mind that debasement of the standard of living is an inevitable breeder of discontent among peoples, which many times in history has been responsible for national upheavals. But whilst pointing out this economic weakness, I would add that history also teaches that hardships will be endured over a prolonged period before the weight of sheer necessity forces a change.

AMERICAN AGREEMENT A BRIGHT FEATURE

A bright feature of last year's events was the conclusion of the trade agreement between the United Kingdom and the United States—an event, indeed, whose importance it would be difficult to exaggerate. These two countries together are responsible for more than a quarter of the world's imports and exports, and any arrangement calculated to promote the freer exchange of goods between them must necessarily have a profound influence favourable to the development of world trade as a whole.

But this is not the only aspect of the agreement, and, indeed, it may prove in the long-run to be not the most important. In the existing unsettled state of the world, the moral and political implications of the treaty cannot be ignored. Agreement was not reached without long and arduous negotiation, in the course of which mutual concessions were made, not only by the United States and ourselves but also by the other countries of the Empire. The agreement is a triumph of compromise. It shows that two nations, one with a long record of tariff protection and the other charged with the safeguarding of the trade of a great Empire, are nevertheless willing to make substantial concessions of particular interests, in order that the currents of trade may be made freer. And although the treaty itself is concerned solely with matters of trade, its successful conclusion inevitably draws the two nations together in a closer sympathy. It is this spirit of accommodation—of "give and take"—which is so essential in international, as in other, relationships. Without it, no agreement can have any permanence.

TWO VITAL PROBLEMS

What I have put before you to-day is a plain narrative of the course of trade and industry during the past year. I have so far ventured upon neither forecasts nor theories, as both would be out of place in the world of to-day, where, to put it mildly, so many unorthodox conceptions of human relationships are in the ascendant. I will mention, however, the two outstanding and vital problems that confront this country. For national safety, even perhaps for national existence, we have to expand our armaments to make up the leeway between ourselves and those totalitarian States which have not hesitated to scrap orthodox national economy in the relentless pursuit of military efficiency in all its branches. Secondly, our internal means of subsistence being what they are, we must at the same time keep going such a volume of overseas trade as will pay for the food of our people and the necessary materials without which this country is frustrate and immobile. Further, it is only by preserving our foreign trade that we can maintain our national economy, upon which the Empire has been founded and developed. These are formidable burdens indeed, but we can rely upon the courage and resolution of the nation successfully to bear the load.

The Chairman then moved the adoption of the report and accounts and Sir Malcolm Hogg, deputy chairman, seconded the resolution, which was carried.

After brief comments by shareholders, the retiring directors were re-elected, and the auditors were re-appointed for the year 1939. To a vote of thanks to the staff for their admirable work during the past year, proposed by Lord Hunsdon, the chief general manager (Mr Charles Lidbury) responded, and a vote of thanks to the chairman terminated the proceedings.

MARTINS BANK LIMITED

ENCOURAGING EXPANSION

HIGH RECORD OF DEPOSITS

FOREIGN TRADE OUTLOOK

THE STIMULATION OF EXPORTS

MR F. A. BATES' SURVEY OF HOME INDUSTRIES

The 108th annual general meeting of members of Martins Bank Limited, was held, on the 24th instant, at the Head Office, Liverpool.

Mr Frederic Alan Bates, the Chairman, presiding, said:

My Lords, Ladies and Gentlemen, the report and accounts have been circulated. I assume you will take them as read.

It is with deep sorrow we record the death of Mr Charles Booth, a director of the bank for twenty-seven years and chairman for the years 1916, 1917 and 1918. We have lost a colleague of wide experience, whose passing will be felt particularly in Liverpool, in business circles and wherever there is the need for social service of the high character associated with his family.

Not long ago Sir Richard Holt, desiring to relinquish some of his heavy duties, under doctor's orders, decided to resign from the chairmanship. We were, however, gratified by his acceptance of the position of a deputy-chairman, which he had held previously. Sir Richard's many friends are delighted to know that he has completely regained his health after his illness. To succeed Sir Richard, the directors have appointed me as chairman and have also elected me to the London board. Conscious of the responsibility of my office, and of the honour conferred upon me, I shall serve the bank to the best of my ability.

Colonel L. E. Pilkington and Mr T. M. Wormald have resigned from the Manchester board for reasons of health. They were members of the board of the Lancashire and Yorkshire Bank prior to the amalgamation with Martins Bank. The loss of their valued co-operation and the reason for it are much regretted. I should add that Mr Wormald's family association with banking goes back to the private bank of Hagues, Cook and Wormald, of Dewsbury, which joined the West Riding Bank more than a century ago. It is most interesting to us to trace back these banking connections, because we are glad to say that the old spirit of personal contact between our bank and its customers is still preserved.

NEW DIRECTORS

To fill vacancies in our Manchester and North Eastern boards, the Marquess of Reading and Mr G. Stirling Newall have been elected to those boards, respectively. These new members of our district boards have extensive interests, and their advice will be of great value to their colleagues.

It gives me great pleasure to inform you that the directors have elected Mr Furniss, our general manager, who is already a member of the London board, to a seat on the general board. Although I have not occupied the chair for long, I should like to add my own tribute to his qualities and personality, which have been of the greatest value in conducting the bank's affairs, and which I hope may continue at the disposal of the board for many years to come. This is a tribute which would, I know, be endorsed by all my predecessors in the chair who have worked with Mr Furniss. I am confident you will confirm this special recognition of his outstanding services to the bank.

Our Manchester district general manager, Mr Percy Woodhouse, has retired after a banking career of forty-seven years, twenty-two of which were spent with us. The board, in appreciation of his work, and to have the advantage of his experience, have elected him to the Manchester board. Mr C. J. Verity, assistant district manager, has been appointed to succeed Mr Woodhouse, and Mr J. Froggatt has been appointed assistant district manager. They have both had much experience of this important section of our affairs.

YEAR'S GOOD RESULTS

I will now ask you to refer to the accounts. Our net profit of £872,929 is an increase of £19,363 on the previous year, due to further expansion in our business generally. With £309,007 carried

forward from last year, we have available for distribution £1,181,936. An interim dividend of 7 per cent. was paid in July last. For the December half-year we propose to increase the dividend to 7½ per cent., making 14½ per cent. for the year. These two dividends will require £603,206.

We have added £50,000 to reserve fund, bringing it up to £3,550,000, and we have placed £100,000 to premises redemption account and £100,000 to Pension fund. After these allocations, £328,730 has been carried forward.

The bank's liquid position has been maintained. Cash in hand and at the Bank of England amounts to £11,142,000, that is 11.07 per cent. of our liabilities to the public. Total cash items represent 21.42 per cent. of those liabilities. Money at call and short notice is £6,100,000, being £1,175,000 less than last year, but Treasury Bills at £3,265,000 show an increase of £705,000. There is again little change to report in our holding of commercial bills, which at £1,413,000 compares with £1,290,000 a year ago. We have added to investments, which are now £33,395,000, an increase of £2,172,000. Bank premises and rentable properties also show an increase, and at £2,743,000 are some £96,000 higher. Acceptances, endorsements, etc., affected by the vicissitudes of foreign exchange and trade, appear at £8,198,000, a reduction of £1,620,000.

Deposits have again expanded, and with an increase of £4,530,000 have established the new high record of £100,038,000. Advances have also increased. At £44,421,000 they are £2,001,000 more than twelve months ago.

ADVANCES MORE WIDESPREAD

The chairman's speech last year referred to evidence of hesitancy in trade. The hesitancy continued, accompanied by some slackening in the demand for overdrafts in certain sections. I hope the new year may see a revival in this respect, and that an active demand for bank accommodation, the best evidence we have of good trade, may set in. The classification of our customers' overdrafts was dealt with at length in last year's speech. There has been little change in the direction in which our money is lent, but you will be interested to know some of the details. There have been increases to agriculture, shipping and transport, retail trades, iron and steel manufacturers, furniture manufacturers and distributors, and to private customers. Notwithstanding the falling off in the building of private houses, advances in connection with housing have increased to some extent. Reductions are shown in the textile group and shipbuilding, and loans against stock exchange securities are appreciably down. One feature, a satisfactory one, is that our advances have a tendency to become more widespread.

Optimism was restrained throughout the year, but, if trade has not been as good as was hoped, satisfaction may be felt that conditions are no worse having regard to the international situation. The beginning of a setback in trade, detected in the autumn of 1937, developed during 1938, but those who held the opinion that there was no fear of a depression comparable with that which commenced about ten years ago proved to be justified. The movement became rather a slowing down from a state of great activity to moderate activity, and conditions were in no way the same as on the previous occasion. The influence of restriction schemes preventing excessive accumulation of stocks—one of the main causes of the persistence of the late depression—undoubtedly had a steadying effect. We have, therefore, grounds for the belief that not only have we seen the worst, but that some progress has been made in the search for a technique which may serve to limit the severity of trade recessions in future.

FOREIGN TRADE DIFFICULTIES

It is difficult to find any simple reason for the recession that commenced in 1937. It may be that the force of world opinion,

stimulated by quick and universal communication with little lag even between continents, caused trade to overrun itself by anticipating an expected upward course too far ahead. But however much or little the course of events was affected by this psychological factor, it is certainly true that ultra-nationalism and political movements abroad were beginning to have their effect. This country's export trade has been languishing for some time, but in spite of that our adverse trade balance has been reduced. The hope has, therefore, been expressed that invisible exports arising out of shipping, banking and insurance services may have been sufficient in 1938 to fill the gap, and we are asked to take consolation from that possibility. Even if it proves to be a fact it is doubtful whether we can really derive lasting satisfaction therefrom, for, if our export trade falls off, our shipping and other overseas services will eventually suffer correspondingly, as, indeed, they already are doing.

Almost coincident with the beginning of the decline in trade the Government's main re-armament campaign was launched, and we cannot escape the conclusion that re-armament, so essential to the country's safety, has had some effect on the export trade of our industries by placing Government contracts at their doors. Added to this, there is the fact that foreign debtors are out of favour. Our foreign loans in the past laid the foundation of our world trade, but where can we lend money abroad nowadays for the purpose of creating the power to purchase our manufactured goods with any assurance that it would be safe? Many loans made in the past are in default. If for the purpose of creating purchasing power for our goods we lend money abroad which is lost, we are, in effect, making the countries to which they are shipped a present of our goods. These problems will tax the wisdom of our administrators at home and the ingenuity of our commercial agents abroad. The true position seems to be that trade is being deflected from any predictable course, on the one hand, by conflicts which unhappily are engaging the energies of mankind over wide areas, and, on the other, by defensive re-armament on a huge scale by the rest of the world. The Department of Overseas Trade, in a recent statement issued for the guidance of traders in the conduct of their overseas business, set forth the difficulties existing in forty countries. In almost every case import licences are required; in many there is strict exchange control; in some payment can only be obtained through clearing house arrangements, often after much delay, and in many cases certain imports are prohibited altogether.

EXPORT PROBLEMS

It would seem as though all the countries of the world were combining to strangle trade. Actually, they are endeavouring to live within their incomes, but the effect upon the flow of international trade is disastrous. The desire among the nations to become self-sufficient arises from the difficulty experienced in obtaining exchange with which to pay for imported goods. This difficulty, in turn, leads governments to sequester exchange as it becomes available to their nationals, for the purchase of necessities or the materials for munitions of war. We have recently seen a considerable fall in sterling in terms of the leading currencies of the world, and particularly in relation to the dollar, but the point will not be overlooked that this depreciation will operate as an aid to the expansion of our export trade. While from that angle the fall in the pound may not be regarded adversely, provided stability can be achieved at the lower level, the reverse applies in the case of our imports, as their cost is thus increased.

When we consider unemployment in this country, we find that it is in the export industries that it is most prevalent. Concentration upon re-armament and activity in those of our industries producing goods for home consumption have not absorbed our unemployed. It is essential, therefore, that we should look ahead to the time when work upon re-armament and development arising therefrom will diminish, and that we should use every appropriate means to expand our export trade. We cannot afford to rely upon methods which were adequate when trade flowed normally, but must adjust our actions, consistently with sound procedure, to meet the tactics of competing countries that, under the influence of strained economic conditions, adopt exceptional measures inimical to British interests. The Anglo-American trade agreement recently announced is evidence that governments and their trade advisers, on both sides of the Atlantic, are co-operating to their mutual advantage. It is early yet to assess the full benefits that will accrue from the agreement, but its outstanding significance, both from the political and trade points of view, will at once be recognised. The cotton industry is looking for stimulation in its export trade as a result of the agreement when it comes into force during the present year; but while the signing of the agreement was received with enthusiasm, it is realised that it will benefit only a section of the industry. The Cotton Enabling Bill has emerged, after animated discussion, in a revised form, its

proposals now being limited to the reduction of surplus plant and the fixing of minimum prices or margins. It is satisfactory that special provisions for the export trade have been included, and that latitude will be given in the application of prices to overseas business. With other safeguards comprised in the Bill it will make some contribution to revival of the trade, but material recovery can only be expected from settled world conditions and from the trade's ability to develop new lines. There is a difficult period ahead, and spectacular improvement is not probable.

SHIPBUILDING AND SHIPPING

It is not my intention to review our industries in detail, but, taking a broad view, it can be said that, notwithstanding the difficulties facing trade during the past year, industry as a whole, although halting under the restraint of international affairs, and with a downward tendency, has done moderately well, a statement supported by examination of our own business. There have certainly been disappointments in various sections of trade. The steel industry has passed through a difficult year, production falling well below the figure of the previous year, and exports, due partly to the establishment of further steel works abroad, have suffered appreciably. The industry was also affected by the decline in shipbuilding, Lloyds register recording that during the year ended June orders placed for new tonnage were only half those of the preceding year. Shipbuilding and shipowning are so closely related that it may be deduced from the fact that merchant shipbuilding had a difficult year, so also had shipowning. This was disappointing, because at our last meeting we had to report that shipping had done well in 1937, particularly in the cargo-carrying class. Even then conditions were pointing to reaction. High costs of shipbuilding have prevented orders being placed, but the inability of shipowners to earn adequate profits has, in any case, restrained them from placing orders. A combination of factors common to all industries, such as exchange difficulties, political disturbances and lack of confidence, resulting in inactive commodity markets, has reduced the demand for tonnage in all trades. The British shipping industry, particularly looking to the future, thus finds itself in a position where urgent measures may be necessary to maintain this life-line industry of an island nation at its former prosperity. The proper bodies representative of shipping are dealing with the position, and the Government have indicated that consideration would be given to recommendations made.

The coal trade, of necessity, depends for its success upon the prosperity of coal consuming industries. Exports and inland consumption both fell, the steep decline in pig-iron and steel production, along with diminished orders from other directions, being responsible for the falling off in the home market, but the sales control committees appointed in 1936 prevented the heavy drop in prices which previously accompanied reduced demand.

Turning to the wool textile industry, conditions over the last two years have presented peculiar difficulties. The rising markets of the first half of 1937 were followed during the latter part of that year by a severe fall in values. It followed that 1938 opened with many high-priced forward contracts to be liquidated under adverse market conditions. In practically every category of textile exports the Board of Trade returns for last year reveal the persistence of restricted trade. Wheat has been a nervous market, and trading by various governments in this commodity has been an upsetting factor.

OFFICIAL ACTION ENCOURAGING

In the reports upon our various trades one significant statement seems common to them all, namely, that so long as there is political disturbance throughout the world, and trade continues to be affected by the methods of certain foreign countries, we cannot look for sustained improvement. It is encouraging, therefore, to turn to a recent speech of the Secretary of the Overseas Trade Department, which indicates the possibility of vigorous action to deal with the situation. He pointed out that, owing to the increasing industrialisation of countries which originally only produced raw materials, a great many of our former markets had been lost; adding that, in future, we should have to search for new markets, and above all develop the production and sale of new types of goods. He was alive to the suggestion that we should see that countries selling to us also bought proportionately from us, and in the case of countries which had gone out of their way to discriminate against us, he gave instances where the Government had had no hesitation in taking measures to counteract such practices. It is satisfactory that the department is energetically tackling the problem of the country's

trade in collaboration with the various industries involved, and there will be support for the appeal that our industries should organise so as to give driving force to the Government's bargaining powers.

Following the revival of confidence in France as a result of the determined efforts of the Government to take the country's finance and trade in hand, there was considerable repatriation of French funds from London. Owing to this and to the withdrawal of other Continental funds for the purchase of dollars, and subsequent speculation, the pressure on sterling naturally became heavy, causing the British authorities to take action and transfer gold to a large amount from the Bank of England to the Exchange Equalisation Fund. Great confidence is felt in the conduct of the fund, and this evidence of the authorities' intention to defend sterling has been received with satisfaction.

BRITISH BANKS AND THE CRISIS

The soundness of British banks is taken so much for granted that it is, perhaps, pardonable to recall the way in which they faced the crisis at the end of September. The service they then rendered to the nation is apt to be overlooked. They had to meet considerable withdrawals of foreign and other deposits for investment in the United States. Simultaneously they were faced at the height of the crisis with a severe fall in the value of stock exchange securities held on account of customers, yet it may be said that in no case did this result in the withdrawal of overdraft facilities during the crisis. The value of such calmness, possible only because of the maintenance of well tried traditions, is surely very great, and that it took place almost without comment is, perhaps, the finest tribute to the confidence reposed in our banking institutions.

I will shortly move the adoption of the report and accounts, but I would first say a word with regard to the management and staff. The directors have recognised the services of the general manager in electing Mr Furniss to the board. In Mr McKendrick, our able assistant general manager, and the other officers at head office and throughout the service, we have a personnel working loyally in the interests of the bank, and our thanks are due to them and the staff generally for the year's results. (Applause.)

The Chairman concluded by moving the adoption of the report and accounts and confirmation of the final dividend of 7½ per cent. as recommended.

Lord Colwyn, one of the Deputy Chairmen, seconded, and the motion was carried unanimously.

Col. F. A. Woodcock proposed that the Hon. David Bowes-Lyon, Mr J. H. B. Forster, D.L., and Mr Alfred Watkin be re-elected directors of the bank, and that the election of Mr J. M. Furniss as a director be confirmed.

This was seconded by Mr Ernest A. Cookson and unanimously agreed to.

On the motion of Mr James Lye, seconded by Col. G. B. Leathart Rae, Messrs Harmood Banner and Son of Liverpool, Messrs Peat, Marwick, Mitchell and Company of London, and Messrs Thomas Bowden, Sons and Nephew of Newcastle-upon-Tyne, chartered accountants, were reappointed auditors.

Lord Ebbisham proposed a vote of thanks to the directors, the standing committee, and to the director and general manager and other officers and staff of the bank for their valuable services during the year.

Mr Ralph Armitage having seconded, the resolution was heartily carried.

DIRECTOR AND GENERAL MANAGER'S REPLY

Mr J. M. Furniss, who met with a most cordial reception, acknowledged the resolution. He referred to the perplexities of business generally, and said that each year they looked for respite from anxieties, but were always baulked of their hopes. Fortunately hope and faith were inherent in mankind. It was gratifying to have the goodwill of those present, shown by the warm response to the resolution. He acknowledged the support of the chairman and directors, and thanked his colleagues and the staff throughout the bank for their help during a trying year. He particularly mentioned Mr Bromley-Martin, the London managing director, who had been a tower of strength, and whose clear thinking reduced difficult problems to simplicity. He also complimented Mr Babcock, the bank's foreign manager, whose work, at all times exacting, had recently specially called for able supervision. Mr Furniss then thanked the meeting for confirming the honour of a directorship conferred upon him by the board.

On the motion of Mr J. R. Hobhouse a vote of thanks to the chairman for presiding was carried unanimously.

JOSEPH NATHAN AND COMPANY, LIMITED

STRONG FINANCIAL POSITION

The thirty-ninth ordinary general meeting of Joseph Nathan and Company, Limited, was held on the 26th instant, in London.

Mr Alec Nathan (the chairman) said that their gross income at £138,811, was £1,682 higher than last year. Since the period covered by the accounts included what had been called a "business recession" the profit, virtually the same as last year, was satisfactory. The balance carried forward to next year's accounts, after paying the dividend on the ordinary shares, would be £51,779, as compared with £35,318 brought in.

The floating assets of the group this year exceeded the current liabilities by £312,000, as compared with £260,000 last year. These figures demonstrated the improved strength of the company's financial position.

GLAXO LABORATORIES

In regard to Glaxo Laboratories, Limited, the company's business was world-wide in its operations. Shareholders would be gratified to know that the increasing strength of the production and selling organisation had been well demonstrated by a further increase in turnover, in spite of more difficult conditions. This expansion had not been confined to any one market. In certain countries restrictions imposed for political or other reasons necessitated business being conducted at little or no profit; where the market had been substantial and profitable, the directors had determined to continue the company's activities in order to preserve the goodwill against more favourable trading conditions.

During the year the deputy-chairman had visited the Glaxo Laboratories' subsidiary companies in India, Australia and New Zealand, and had reported on the excellence of their organisation in those countries. They believed that whatever might be the vicissitudes of overseas business at present, the steady building up of their organisation would be well justified. The directors confidently believed that their overseas sales organisation was of the calibre and experience to take full advantage of potentialities.

In regard to their produce businesses, there had been a material improvement in certain directions. Their importing business had had a successful year's trading. The marketing of New Zealand butter in packet form, under the "Golden Bud" trade mark, had made substantial progress during the year.

It was not until after the close of the year under review that the Government, at long last, announced their bacon policy. The new marketing policy did not become operative until January 1st of this year, and it would be some months before it became effective. As this policy was based on an expansion of the bacon trade, as distinct from the harmful restrictive policy which had been in existence for the last five years, the prospects for the future of their Smithfield business were on a much sounder foundation than for some time past.

THE NEW ZEALAND IMPORT REGULATIONS

The New Zealand business had had a satisfactory year. Shareholders would expect him to say something about the import regulations which came into operation in December last. How would it affect their business? He could not say. At present they had not received sufficient information. Nevertheless, as they imported into New Zealand goods that entered largely into the production of primary products, or were necessary for the farmers, they anticipated carrying on that business without material alteration.

When New Zealand payments were greater than her receipts her funds decreased overseas. A decline in those funds meant that the Dominion had been paying more than it had been receiving, and had been drawing on its reserves for the excess expenditure. It was generally considered that about £N.Z. 10,000,000 per annum was required to pay interest on public debt held abroad, and that export receipts should exceed import payments by this amount if the reserves were to remain intact.

So frequently during the past few years had he reiterated that it was the policy of the directors to consolidate the resources of the company and to direct them into the most profitable avenues, that it might seem unnecessary repetition again to mention it. He did so, however, for the purpose of making clear to shareholders that the directors' policy was unchanged. That it had proved the correct policy was beyond doubt, as would be readily realised on comparing the present balance sheet with those of the past five or six years. The steady progress which had been made demonstrated the success with which the policy had been carried out. The strength of the company today was greater than at any time in its history.

The report and accounts were unanimously adopted, and a vote of thanks was passed to the chairman, directors and staff.

DISTRICT BANK, LIMITED

SATISFACTORY RESULTS DESPITE DIFFICULT TRADING CONDITIONS

FURTHER INCREASE IN DEPOSITS

CHECKING TOTALITARIAN COMPETITION IN EXPORT TRADE

SIR R. NOTON BARCLAY'S ADDRESS

The one hundred and ninth annual meeting of shareholders of District Bank, Limited, was held, on the 27th instant, at the Head Office, Spring Gardens, Manchester.

The Chairman, Sir R. Noton Barclay, presided, and in moving the adoption of the report and balance sheet said:

My Lord, ladies and gentlemen,—I know you will join with me in expressing pleasure at the recognition in the New Year Honours List of the valuable public services of Sir Peter Rylands, a member of the Board, and in offering him your congratulations.

Since our last meeting Mr H. H. Summers has, in view of his advancing years, tendered his resignation. He has been our esteemed colleague for many years and has given valuable service to the Bank. I am sure you will associate yourselves with me in sending him a message of goodwill on his retirement. I am pleased to report that we are to have the services of his son, Mr Richard F. Summers, who has been elected to a seat on the board.

The balance-sheet figures for the past year are before you and, with your permission, I will take them as read. I propose, however, to refer briefly to one or two items.

BALANCE SHEET ITEMS

I am pleased to report a further increase in the current deposit and other accounts, which reached the figure of nearly £83,500,000; about £2,400,000 more than last year. Such a high figure is unprecedented in the history of the bank, and is particularly gratifying in view of the fact that during the latter part of the year we, in common with other banks, had to meet considerable withdrawals of money lodged with us by overseas customers. That these outgoings were more than made good may be attributed to the steady growth of our domestic deposits and the increased scope of our activities.

Our assets conform to the usual high standard of liquidity, cash and other short assets representing 31.6 per cent. of our deposit liabilities. These first lines of defence, added to our large holdings of gilt-edged investments, which show little change over the year, provide us with a total of no less than £55,692,000. The market value of investments is still considerably in excess of the figure shown in the balance sheet. The principal change in assets is an improvement in our advances, which show an increase of over £1,700,000. Comparing the current balance sheet with that of December, 1935—the first balance sheet published after the County Bank absorption—we find that there is an increase of £7,600,000 in advances. Our present total lendings are well spread. Industries classified under the headings of textiles; heavy industries; agriculture and fishing; food, drink and tobacco; shipping and transport; building trades; miscellaneous and retail trades; local government authorities and public utility companies; and miscellaneous professional and private advances all show increases. There have, however, been slight decreases under the headings of mining and quarrying; leather, rubber and chemicals; and finance.

Since the date of the absorption of County Bank Limited we have opened a number of new branches, and we anticipate that others will follow. New branches of the Trustee Department have also been opened at Liverpool and Lancaster, and the Manchester office of the department was transferred to more commodious premises at 57 King Street. By this removal we have provided adequate room for the continuing growth of the department and a reserve of space for the future. This change has also enabled us to utilise the surplus space at 57 King Street, made available by the transfer of the County Bank administration departments to Spring Gardens. The space vacated by the Trustee Department at Spring Gardens has in turn enabled us to meet the need for increased accommodation by the foreign and certain other departments of the bank.

PROFIT AND DIVIDENDS

Our profit is arrived at after full provision has been made for bad and doubtful debts; the figure of £508,808 is a little less than

that for the previous year, but we consider the result satisfactory, having regard to the difficult trading conditions of 1938, the increase in taxation, including the National Defence contribution, for all of which we have provided.

With the amount of £285,611 brought forward, the disposable profit is £794,419. The directors have appropriated £70,000 to pensions and annuities fund and £60,000 to write down bank property. It is now recommended that a final dividend of 9½ per cent. actual should be paid on the A and C shares, which, together with the interim dividend at the same rate, makes 18½ per cent. for the year, as compared with 17½ per cent. for the previous year. It is proposed to pay a final dividend on the B shares of 5 per cent. actual, making the maximum dividend of 10 per cent. for the year. There remains to be carried forward to the current year's accounts the sum of £287,894.

BANKING AND THE CRISIS

The political crisis which occurred in September last year placed a great strain upon the Government, public services, the banks and all sections of the community. In the critical period the deposits of the clearing banks fell by some £40,000,000, equivalent to 2 per cent. of the total. Considering that no restrictions were placed on the withdrawal of deposits in the emergency, the fact that these figures were not much larger proves the widespread faith of the British public in their banks, and no better demonstration of such public trust has been witnessed in any of the numerous crises of the past. Our own experience, as shown by the monthly averages which we publish, was that our deposits actually increased during the month of international turmoil; the increase continued, without interruption, for a period which both preceded and followed the crisis.

In recent months sterling has shown considerable weakness and the resources of the Exchange Equalisation Fund have been heavily strained in its support. It has been found expedient to restore the method of embargoes, which cover foreign lending, forward dealings in gold, advances against gold, and speculative exchange transactions. I must admit to a dislike of embargoes unless other methods have been tried and have failed. I feel that if the present Bank rate were made effective by the market rate of discount being permitted to rise to its normal relationship to Bank rate, the sale of sterling would be less attractive. Speculative activities, although having their origin in a real economic setback may, if unchecked, easily lead to nervousness and possibly to a genuine flight of capital on the part of the less well-informed. I am old-fashioned enough to believe that the orthodox methods of correction, by making adjustments in the short-term rates of interest in the free monetary centres of the world, have not entirely lost their efficacy.

While an advance in market rates would increase the cost to the Government on short-term borrowing, it is to be anticipated that this adverse factor would be offset since the consequent strengthening of sterling should contribute materially to a better market for gilt-edged securities, and so facilitate cheaper long-term borrowing by the Government under their programme of re-armament finance. The Treasury should benefit also from an improvement in capital values by an increased yield on death duties.

Repatriation of foreign holdings and bear speculation, although serious enough on the short view, are not so vital to the long-term prospects for sterling as the balance of international payments. An efflux of foreign balances is a movement we must expect and there is always, in due course, a reaction to speculation. But the effect upon sterling of a worsening of our balance of payments is more damaging and cannot be removed by palliatives. It is therefore fitting that the problem of increasing exports should now be claiming so much attention in responsible quarters.

EXPORT TRADE DIFFICULTIES

In last year's address the many difficulties which then beset the export trades prompted me to recommend that steps should be taken by the Government to assist industry in competing for overseas markets. At that time the problems appeared urgent enough, but, serious as were past troubles, they are insignificant compared with present difficulties; and I must not allow this opportunity to pass without voicing an earnest request to the Government for as much practical help as possible for this most important side of our economic life.

Distorted ideas of ultra nationalism as opposed to internationalism appear to dominate the world to-day. While statesmen and economists alike pay lip service to the importance of stimulating world trade, each country seems to be obsessed by the idea that individual prosperity can best be fostered by hampering trade with other countries. To this end they impose restriction upon restriction and, as it were, erect additional stories to a house of cards which must ultimately collapse. Have things gone too far, or is it yet possible for the nations to regain some measure of true economic perspective?

The question is a vital one and until a solution is found our exporters will remain hampered by tariffs, quotas, depreciated currencies, exchange restrictions, and foreign cheap labour. But serious as these troubles are the competition from totalitarian States now adds more acute difficulties and it seems that these will be intensified this year. In so far as these States succeed in reorganising industry by sound methods, and thereby raise their standard of efficiency, we might do better if we copied their example rather than complained of their success. We might also avoid eventually some of the damaging effects of defeatism here if we recognised that much of the elaborate restrictive planning of dictator States is ill-considered, and much less likely to promote efficient enterprise than the methods of the democracies. We must not accept in a spirit of discouragement the results of totalitarian measures such as conscription of labour and capital. This planning covers up many inefficiencies: employers are saddled with unskilled labour, losses and waste ensue, and, instead of directing capital and human effort towards the development of branches of production in which those countries have the best natural advantage, valuable assets are applied to pressing forward schemes of self-sufficiency. It should be observed also that the dictator States cannot incur their present vast Government expenditure indefinitely. The position is more ominous when it is considered that, despite such an artificial stimulus, the workers' standard of living has been reduced.

THE EXPORT GUARANTEES BILL

Yet the probable misfortunes of formidable competitors do not dispose of a present emergency, wherein our export trades might suffer great damage or even extinction at the hands of totalitarian States. In their pursuit of markets to-day conscripted cheap labour and capital, subsidies, and political pressure are used with damaging effect, and it is against these State-controlled forces that private enterprise has little defence. In these matters Governments only can match their strength against each other, and it is therefore pleasing to know that, in the case of this country, the Export Guarantees Bill may be expected to reach the Statute-book shortly after Parliament reassembles. It may be anticipated that this measure will be supplemented by co-operative organisation of each exporting industry to supervise and even conduct export business, but that these in turn should be armed with the limited funds suggested to counter the subsidised exports of our competitors is laudable, if perhaps hardly effectual. As has been stated in another quarter, the export trades most in need of fighting funds are the least able to find the money for this purpose. Again, the wise and prompt spending of it would in itself create a problem if the dispensation of the money were left to a committee or trustee elected from within an export organisation, and the spending of public money by members of an organisation for its own benefit would not be conducive to sound re-organisation for the purpose of increasing efficiency in production and marketing. Independent representatives or advisory councils of business men for each group of exporting industries, with full powers to use the public funds in the public interest, hold out some reasonable prospect of effective action. Very active full-time officers, however, and a much larger amount than £10 millions for the type of export guarantees covered by the Bill seem to be required to make real headway.

This need for able administration will be appreciated since we have to counter a very intricate mechanism underlying State-controlled export drives. Self-defence must therefore be planned according to the weapons used against us. Success will the more certainly be achieved provided full use is made of our vast buying power, and our import trade should be used to the full in pressing

our advantage against foreign competitors. Purchase of our goods should be a *sine qua non* of entry into the British market. We have the purchasing capacity and the resources for counter-action, and full use should be made of them.

TRADE AGREEMENTS

In this connection the benefits which should accrue to the export trade through the commercial treaties of 1938 have not to be overlooked. The Anglo-Rumanian and Anglo-Italian agreements endeavoured to remedy defects in earlier exchange clearing agreements; the Anglo-Egyptian and Anglo-Turkish pacts were more satisfactory—the former particularly to Lancashire—and, finally, of course, we have the Anglo-American agreement. In the last we have an agreement which not only endeavours to benefit our mutual trade but also attempts to reduce trade barriers generally, and, therefore, is a development which contributes to world peace and prosperity. In this treaty lies a wider significance than the mere advancement of trade between the contracting parties—the strengthening of the political ties between two great democracies. From this viewpoint the Government deserves all the congratulations which have come its way.

But in admitting the good offices of the Board of Trade in the matter of trade agreements generally, the fruits of many months' conscientious labours seem more a matter of intricate technical detail than of tangible result. Pacts have been sought which should satisfy many interests, but which in practice satisfy far too few. Small advantages to many trades are of no avail against dictator States, and a really big advantage to a few of our important industries seems more likely to provide practical results in larger exports and more employment. If totalitarian countries have key products to export, so have we; and if they succeed in finding expanding markets for such exports, so should we. In the case of Lancashire it is textiles which take pride of place. They have, of course, been remembered in recent pacts, but, I am informed, the practical benefits are likely to be small. Yet the Government can do much to further the interests of Lancashire in 1939; new or revised treaties are to be negotiated with India, Burma, Switzerland, Chile and Colombia. Each of these countries has key exports, and a pact based on reciprocity between such products and their British counterparts will be infinitely preferable to small advantages spread over a wide range of products.

NEED FOR ORGANISATION

It would, however, be a disservice to industry to suggest that either subsidies or trade pacts would remedy its problems. As always, efficiency and enterprise play a big part in success, and external help from the Government merely makes the effort worth while. In the absence of such help, however, it is better to organise for the worst rather than to rely on fortuitous benefits, and the high cost of our exports, as reported in the *Board of Trade Journal*, points to a very real need for reorganisation to reduce costs and prices. The latest official estimates of the changes in the average values of exports show that our prices, and particularly those of manufacturers, have been maintained or, in some cases, even raised, though orders at the existing rate of quotations have fallen off. This position is regrettable since our design and range of exports are improving, but when the world purchasing power is falling we cannot expect to sell if our prices are so inflexible.

Some industries have been at great pains to find a way of surmounting their difficulties. The cotton trade, for instance, has been tireless in its efforts to find a practical scheme of organisation for benefiting the industry as a whole. After more than two years of hard work on the part of the Joint Committee of Cotton Trade Organisations the original draft proposals for an Enabling Bill have been greatly modified, and many safeguards introduced with a view to meeting the requirements of the Government and the criticisms of the trade. Time is an important factor and it has yet to be decided by the trade whether the Bill will be presented to Parliament. Is it too much to hope that the trade will, at an early date, arrive at a definite decision? If the cotton trade is to make its influence properly felt in Whitehall it must speak with a united voice. There is much to be done for the improvement of our foreign trade, and, obviously, better terms could be obtained in trading agreements if the Government knew that the trade was united in its demands. In these agreements disunity on the cotton industry's side of the conference table will benefit only our competitors.

TRIBUTE TO STAFF

Before concluding I desire to place on record our sincere appreciation of the loyal and efficient service rendered by the staff during

the year. Only those who are intimately connected with the inner work of the bank can realise the value of that service, and I welcome this opportunity of thanking not only the senior officials, but also all members of the staff who have so ably supported their efforts.

WILLIAMS DEACON'S BANK, LIMITED

SATISFACTORY RESULTS OF DIFFICULT YEAR

NECESSITY FOR RIGID NATIONAL ECONOMY

CONDITIONS IN COTTON TRADE

MR GERARD POWYS DEWHURST'S ADDRESS

The annual meeting of the shareholders of Williams Deacon's Bank, Limited, was held on Thursday, January 26, 1939, in the board room, Mosley Street, Manchester, Mr Gerard Powys Dewhurst (the chairman) presiding.

The secretary read the notice convening the meeting and the auditors' report.

The chairman, in moving the adoption of the directors' report and statement of accounts, said:—Gentlemen, I have received apologies for unavoidable absence from our meeting to-day from certain members of the board. From the report in your hands you will note that, following upon the rebuilding of our old office in Birchin Lane, we have opened, or are opening shortly, new branches of the bank in London and the North.

You will also see from the report that our late general manager, Mr Harold Bradburn, was elected last summer to a seat on the board, which appointment you will presently be asked to confirm. During a life-long career in the bank Mr Bradburn has in turn filled with distinction most important positions in the service both at Sheffield and Manchester, while as general manager since 1931 his ability and conduct of affairs have earned our keenest appreciation, and now as a colleague on the board we are fortunate in retaining the benefit of his experience and advice. To fill the position of general manager of the bank we have appointed Mr J. M. Thomson, and we take this opportunity of wishing him every success in his new sphere of office and assuring him of our whole-hearted support.

BALANCE SHEET ITEMS

Taking the remainder of the report, with your permission, as read, and turning to the figures of the balance sheet, our capital shows no change, but successive increases in the balance of profit carried forward in the last few years have enabled us to place £100,000 to our reserve fund, bringing this figure up to £900,000.

Lower totals of deposits following the withdrawal of foreign balances, which this year have been a feature of most bank balance sheets, are hardly reflected in our figures, where we note a reduction of £229,000.

Acceptances show little change, but our endorsements and obligations on customers' account at £1,539,000 show an increase of £448,000.

ASSETS

Turning to the assets side of the sheet, our holding of cash is higher than last year by some £400,000, representing over 11 per cent. of our deposits. Balances with other banks also show a small increase; on the other hand, we have employed rather less short money on the market than last year.

A reduction in our holding of Treasury bills accounts mainly for a decrease of over half a million in the item of bills discounted.

Our investments show little change during the year, while our advances at £14,175,000, appearing at a slightly lower figure, are an indication that for the time being our customers' requirements on balance have been affected by the smaller amount of finance required for the movement of goods.

Bank premises account, after an appropriation from the year's profits, shows a net decrease of £28,000.

I feel that the figures I have quoted, which, of course, have only been arrived at after full provision has been made for weak or doubtful positions, definitely emphasise the liquid position of the bank.

PROFIT AND DIVIDEND

Turning now to the figures of profit and loss, our net profit, after making the usual provisions, appears at a total of £301,418, as compared with £310,921, or a decrease of £9,503. This profit, with a balance of £148,592 brought forward from last year, gives us a total of £450,010 now to be dealt with.

The report and accounts were adopted, and the retiring directors were re-elected.

Messrs Halliday, Pearson and Company, and Mr Leslie Shaw, the retiring auditors, were re-appointed.

After the usual votes of thanks the proceedings terminated.

After transferring £30,000 to premises account and £100,000 to reserve fund, we are in a position to pay a dividend at the rate of 12½ per cent. on both our "A" and "B" shares, and carry forward to next year's account £85,635, as against £148,592 brought in.

The incidence of taxation has to some extent had its effect on our net figures, and we can be well satisfied with the results recorded for the year.

CONDITIONS DURING PAST YEAR

In the year under review the country has experienced two major crises in Austria and Czecho-Slovakia, which were more dangerous to the peace of the world than any since 1914, and hardly a week has passed without some occurrence calculated to restrict trading enterprise and weaken confidence. Feelings of political and economic insecurity have been intensified and have caused the diversion of resources from productive trade to sterile re-armament.

Under such conditions it is hardly surprising to find that the turnover of British overseas trade in 1938 was lower by some 11 per cent. than in 1937; on the other hand, the trend of prices with dearer exports and cheaper imports has in many instances favoured this country for the time being; consequently the visible adverse balance of trade was substantially smaller than in 1937, and this should help to offset the less favourable result which we may anticipate will be shown by invisible exports. But even so, unless we are prepared to live on our capital, the country's position appears to call for the most rigid economy, especially in view of our enormous re-armament programme, which must involve heavy purchases of material from abroad. No expenditure can be grudged that is considered essential to the safety of the country, but "value received" rather than "expenditure voted" should be the measure or standard by which every Government spending department must be judged.

ANGLO-AMERICAN PACT

From the point of view of international trade, the principal achievement of the year has been the successful conclusion of the Anglo-American Pact, the main feature of which is that a large part of the United Kingdom concessions consist of an agreement not to raise duties rather than an undertaking to reduce them, while the United States concessions are much more in the nature of a reduction of duties than a stabilisation; but, apart from the point of advantage or disadvantage to either contracting party, this treaty may prove of very great value by creating a large area of freer trade and demonstrating the advantages of such a development to the world at large.

Its ratification, therefore, is most welcome from both the economic and political points of view.

The Stock Exchange has had a most difficult year, and mainly through lack of confidence, normal investment business has been reduced to a minimum.

During the September crisis all Government securities fell heavily to a point where prices were fixed below which dealings were not allowed, but the subsequent recovery still leaves prices considerably lower on the year.

A further sequel to the September crisis was the heavy withdrawal of foreign moneys from London, which, coupled with the repatriation of French funds, caused a fall in sterling which necessitated the reimposition of the embargo on foreign issues and advances against gold which had been withdrawn earlier in the year.

COTTON TRADE

If we turn to the area more directly served by the bank, I am afraid the improvement in the cotton trade which we were able to note twelve months ago has entirely vanished, and conditions during the past year can only be described as having been extremely difficult. The volume of cotton piece-goods exported to overseas markets has declined in the year by nearly 28 per cent. and in value by

UNITED SERDANG (SUMATRA) RUBBER PLANTATIONS, LIMITED

MR ERIC MILLER ON THE OUTLOOK

The thirty-first ordinary general meeting of this company was on the 25th instant, in London.

Mr H. Eric Miller, the chairman of the company, who presided, after referring to the hardships of double taxation and to other domestic matters, went on to say that the downward turn in trade, particularly in the U.S.A., and the unsettling political conditions elsewhere, had had a detrimental effect on the absorption of rubber. It was difficult for any important primary commodity to escape from the paralysing effects of nervous tension which was so much in evidence at the present time, and the underlying improvement which had been effected in the statistical position of the commodity was apt to be obscured. Under those circumstances the decision to raise the exportable percentage for January/March, 1939, to 50 on a higher basic quota had met with an unfavourable reception and the price had fluctuated on a rather lower level.

Although complete data for 1938 were not yet available, the absorption of rubber in manufacturing countries must have been about 905,000 tons, nearly 190,000 tons less than the absorption in 1937. There were indications that stocks of tyres and other rubber goods in the hands of manufacturers and dealers were lower at the end of 1938 than at the end of 1937. Were it not for the clouds on the international political horizon and the consequential general desire to keep commitments down to a minimum, one would be entitled to anticipate a rise in price during 1939, but how events would shape depended on incalculable factors beyond his ken.

Without exaggerating or belittling possible competition from synthetic substitutes, the plantation industry must do all it could further to reorganise itself on sound progressive lines. As speedily as circumstances warranted, areas carrying middle-aged trees raised from unselected seed should be converted into up-to-date gardens carrying trees raised from known high yielding parents.

As to the result of the company's trading for the year under review, the credit balance on profit and loss account to be dealt with was £242,638. They recommended a dividend of 9 per cent. and would carry forward £94,544.

The report was unanimously adopted.

LANGEN (JAVA) RUBBER ESTATES COMPANY, LIMITED

LOWER PRICES REALISED

The twenty-ninth ordinary general meeting of this company was held, on the 20th instant, in London.

Mr H. Eric Miller (the chairman), in the course of his speech, said: During the period covered by our accounts the export quota fixed by the International Rubber Regulation Committee averaged 70 per cent., but owing to the internal cut in the Netherlands Indies the export licences we received amounted to less than 64 per cent. of our standard production, which for the calendar year 1937 was fixed at 1,513,112 lb. and for 1938 at 1,548,195 lb. We are therefore in a position to account for 979,640 lb. We brought forward from the previous year 314,877 lb., and harvested 892,720 lb.; after covering the export licences allotted to us we finished the year with a surplus of 227,967 lb., which are taken in at bare cost. Including at a conservative valuation the unsold portion of the crop accounted for, the average price realised is about 1d. per lb. lower than that obtained for the previous year's crop, but nevertheless compares favourably with the average monthly sale price of standard sheet in the London market during the period.

The Java company was able to declare a dividend of Gls.81,000, which has been brought into the English company's profit and loss account together with the maiden dividend at the rate of 8 per cent. paid by the Namoe Tongan Company.

We have £20,832 14s. 2d. to deal with to-day. We recommend the payment of a dividend of 6 per cent., which is just one-half the rate we paid the year before.

The exportable percentage for the latter half of 1938 was fixed at 45 per cent. internationally, but internal cuts brought this down to 40 per cent. of standard for N.E.I. estates. The exportable rate for the first quarter of 1939 has been fixed internationally at 50 per cent. of 1939 quotas, which in the case of the N.E.I. are appreciably higher than 1938, so that internal cuts should be less severe. It is clear, however, that our 1938-39 accountable crop is likely to be smaller than that of 1937-38; we therefore require better conditions in the market for our produce to enable us to show you even a modestly reasonable return on your money.

The report and accounts were unanimously adopted.

nearly £19,000,000, practically all markets showing reduced figures. This is the lowest recorded figure of export since 1850, and for the first time we find cotton piece-goods displaced as the most valuable section of the British export trade.

The repercussion on the home trade already fully catered for has been immediately felt, and weak selling, coupled with indiscriminate price-cutting, has once more been a prevailing feature in this section of the trade.

Faced with this position, all concerned in Lancashire are anxiously awaiting the terms of the new British-India Trade Agreement, which is to supersede the Ottawa Pact of 1931, in the hope that some understanding may be arrived at with regard to imports into India in place of the existing prohibitive duties.

SENIOR TRADE COMMISSIONER'S REPORT

The report of His Majesty's Senior Trade Commissioner in India is illuminating, though not encouraging. He states that the fiscal activities of the Indian Government, with the object of fostering indigenous industries, have reduced several of the leading British exports to India to comparative extinction (high revenue duties raised as a temporary measure to meet the financial crisis of 1931 have had an effect that was never intended), and he goes on to point out that this policy of maximum industrialisation must lead first to a clash of interest with the agricultural element, secondly to a crisis in India's finances, as the Government rely upon Customs receipts for 60 per cent. of their revenue, and finally to a collapse of the economic and financial fabric of the Government of India, which is dependent upon an excess balance of exports to meet India's financial commitments in London and maintain the exchange.

It is in the hopes that this report will bear weight with the respective Governments in their discussions, and that due consideration will be given to the fact that this country is by far the best customer for India's exports, that Lancashire awaits the publication of the new agreement.

COTTON ENABLING BILL

An even more momentous issue in the shape of the Cotton Enabling Bill is now before every firm in the industry, and their individual opinion is being tested by ballot, which will decide whether the proposals of the Joint Committee of Cotton Trade Organisations shall go to the Board of Trade for embodiment in legislation.

Opposition there has been, which the Joint Committee has gone to the limit to meet, and now it is to be devoutly hoped that, taking the widest view of the needs of the cotton trade, a convincing majority will register their approval of these proposals.

As I stated last year, some such co-ordinating authority as is envisaged by this Bill is essential if the cotton trade is to put its house in order and maintain and improve its position in the markets of the world.

STEEL, IRON AND COAL

From our branches in the Sheffield area we gather that the steel trade made a certain recovery in the autumn from the recession that was apparent in the earlier part of the year, the production of pig iron and output of steel having shown up better in the later months, while the reductions announced in the price of steel and the acceleration of the re-armament programme hold out good promise for increasing turnover in the coming year.

Reports from the colliery districts of South Yorkshire, while not so good as last year, give indications of a fair trade, though stocks of coal in yards and colliery sidings seem to be unduly heavy. With the exception of engineering, which has been heavily engaged on re-armament work, reports from the Bolton area are not good, unemployment figures there in the cotton industry alone showing an increase of over 3,000. And I am afraid the same tale of distress comes to us from Wigan, Rochdale and Oldham districts.

In Manchester and surrounding districts considerable activity has been experienced during the year by the engineering and allied trades, and, with order books well filled, the outlook of that trade here is distinctly favourable.

TRIBUTE TO GENERAL MANAGER, OFFICERS AND STAFF

Before I conclude I should like on your behalf to convey to our general manager, Mr Thomson, the assistant general manager and the officers and staff of the bank our best thanks for their efficient services and to assure them of our keen appreciation of the way in which the work of the bank has been conducted during the year.

The chairman then moved the adoption of the report and accounts, which was seconded and carried.

The retiring directors, Lt.-Col. Sir Henry K. Stephenson, Bt., D.S.O., D.L., and the Rt. Hon. Lord Bradbury of Winsford, G.C.B., were re-elected, the appointment of Mr Harold Bradburn was confirmed and the auditors, Messrs Ashworth Mosley and Company, were re-appointed.

TURNER AND NEWALL LIMITED

FURTHER EXPANSION OF OPERATIONS

DEMAND FOR ASBESTOS PRODUCTS

SIR SAMUEL TURNER'S REVIEW

The annual general meeting of Turner and Newall Limited was held, on the 26th instant, at York, Sir Samuel Turner, the chairman of the company, presiding.

The secretary, Mr John L. Collins, read the notice convening the meeting, and the report of the auditors, Messrs Deloitte, Plender, Griffiths and Company, was read by Sir Alan Rae Smith.

After dealing with purely financial matters, Sir Samuel Turner gave the usual detailed survey of the company's various activities, and among other things he said:—

The opening-up, development and equipment of the Havelock mine in Swaziland is proceeding satisfactorily, and unless something quite unforeseen should occur, I see no reason why production should not begin in 1939 in accordance with our original programme. The mines in Southern Rhodesia continue to produce to capacity and there is nothing of outstanding interest to mention with regard to them. A new recreation club house at the Shabanie mine was opened in August, 1938, and this is greatly appreciated as a valuable addition to the amenities of life at Shabanie.

With regard to the Bell mine in Canada, I referred last year to the fact that this mine was experiencing a very satisfactory demand for its product, and this is still the case. It is proposed to sink a new shaft during the year 1939 and the early part of 1940, and we are confident that the amount of ore available in the unexploited portion of this mine should be very substantial.

TURNER BROTHERS' GOOD YEAR

Turner Brothers Asbestos Company Limited has had another satisfactory year. The turnover was naturally affected to some extent by the trading conditions prevailing during the spring and summer, and particularly by conditions in export markets, but the total volume of business for the whole year was encouraging.

At the Rochdale factory of Turner Brothers Asbestos Company Limited the extensions to which I referred last year are completed, but others are still in prospect and will be undertaken shortly. Our new research department has been considerably developed and is proving of definite value. Equipment for the manufacture of rubber transmission and conveyor belting is being enlarged, as the company's entry in this particular field has met, with success, and we have the advantage of an absolutely modern manufacturing plant, which, coupled with our sales effort, should give us a steadily increasing place in the rubber belting market. A further development in our belting activities is the decision to manufacture "V" type endless belting, as we are convinced that the class of industrial drive for which it is employed has a rapidly expanding future. This new line will be placed on sale by Turner Brothers Asbestos Company Limited early in 1939.

J. W. Roberts Limited has had a successful year, the turnover being substantially in excess of that for the previous year.

FERODO LIMITED

Ferodo Limited during the year under review has experienced a satisfactory demand for its products, which hold such a high reputation for quality in the motor and engineering industries. Considerable extensions have taken place at the works at Chapel-en-le-Frith; it has been found necessary to increase the size of the offices, and a completely new building is being erected for testing and research work.

The production of fan belts for motor vehicles (which represents a widening of the activities of Ferodo Limited) is now well established, and "Ferogrip" fan belts are being generally offered to the trade.

The year 1938 saw the setting up of some remarkable land speed records, particularly outstanding being those of Captain George Eyston and Mr John Cobb. The fact that Ferodo Brake and Clutch Linings were used in connection with these records has done much to enhance the world prestige of Ferodo products.

ASBESTOS CEMENT COMPANY'S PROGRESS

Turners Asbestos Cement Company, whose widespread activities were referred to in my last speech, has continued to progress throughout the year. As you know, this company's headquarters are at Trafford Park, with extensive works there and at Widnes, Erith, Rhoose, and recently, at Dalmeir, near Glasgow. The heavy programme forecast last year has, for all practical purposes, now been carried out. The new buildings at Trafford Park and the necessary reorganisation of plant there have been completed, and ample room is therefore now available for the expansion of our electrical department in various directions as required by the industry, and, in addition, more space has been provided to cater for the growing demand for asbestos cement decorated products.

In the main, I think I can rightly claim that the developments with regard to Turners Asbestos Cement Company briefly outlined in my previous speech have been fulfilled. The constant expansion of its business makes it necessary for us to contemplate further capital expenditure during the coming year, and it is proposed to re-model and improve some of the older plant and bring it up to date in the light of our more recent experience. This will apply to the older sections of the works at Trafford Park, Widnes and Rhoose. It is also our intention to establish a new and fully equipped central research laboratory at Trafford Park, as our laboratory facilities in the asbestos cement section of our business have become somewhat out of balance compared with its rapid and progressive development.

WASHINGTON CHEMICAL

The Washington Chemical Company and Newalls Insulation Company have during the past year specially developed the production and application of acoustic treatment materials. A considerable amount of work has been carried out in connection with the development of material for the suppression of noise in diesel and steam-driven passenger liners. Our product, which is now being extensively used, is known as Paxmarine ("Newalls" Brand) which not only absorbs noise but, in addition, is a most efficient fire protection and medium for insulation of heat. During the past year we have applied this form of insulation to various types of passenger ships, including cross-Channel vessels used entirely for night travel, where for the comfort of passengers the silence of their cabins is most important. A number of orders are on our books to-day awaiting execution, and we expect a considerable expansion of this business in the future.

Owing to the increasing demand a new plant for the manufacture of various grades of insulating bricks, which are incorporated into the construction of boiler settings and many types of furnaces for the conservation of heat and the saving of fuel, is now in course of erection at Washington, and is expected to be in production within a few months. This new equipment should enable us to produce insulating bricks of the highest quality with the maximum of economy.

KEASBEY AND MATTISON

The Keasbey & Mattison Company, which as I have previously mentioned is now wholly owned by Turner & Newall Limited, has continued to make satisfactory progress, but has suffered from the difficult economic conditions prevailing in the United States of America.

I think it is common knowledge that during the past twelve months a serious trade depression has been evident in that country and naturally the Keasbey and Mattison Company has not been exempt from its effects. However, notwithstanding the serious falling off in business, the Keasbey and Mattison Company has not departed from its programme of steady development, and during the year under review plants for the manufacture of asbestos cement pipes have been erected at both Ambler, Pennsylvania, and St. Louis, Missouri, and are now in operation.

Ferodo and Asbestos Incorporated, whose brake lining and friction material factory is at New Brunswick, New Jersey, U.S.A., has made satisfactory progress during the past year.

NO MONOPOLY

In common with the Keasbey and Mattison Company and all other industrial enterprises in the United States, Ferodo and Asbestos Incorporated has suffered a reduction in the volume of business obtained during the past year. I am glad, however, to be able to tell you that the percentage reduction in volume which they have experienced is not as great as the percentage reduction experienced by the friction material industry in the United States as a whole.

Asbestos Cement Limited, our Indian subsidiary, has now completed the two new works in Bombay and Calcutta to which I referred last year, and both factories are in production. In addition to manufacturing our usual range of asbestos cement products the factory at Bombay will also manufacture asbestos cement pipes, which previously we have exported to India from our factories in England. The business of Asbestos Cement Limited in India continues to expand and the future prospects for this company seem bright.

A VERY SATISFACTORY YEAR

You will agree that our company has again had a very satisfactory year, and I think you would wish me to make a few remarks with regard to the effect on the company of the present international situation. In view of the troubled state of the world and the difficulties constantly arising in respect of export trade, we consider that to have maintained our total sales at their present high level is extremely satisfactory. There has, however, been a distinct falling off in sales during the last few months in the case of certain sections of our organisation, and the chance that this decrease may continue must always be borne in mind. If the international position improves and the economic condition of our own country is satisfactory, I see no reason why this company should not continue to be as successful as has been the case during the last few years, but in the present condition of world affairs it is impossible to foresee what the conditions will be even in the immediate future.

In recent months our attention has more than once been called to references in a certain section of the daily press to Turner and Newall Limited as a "monopoly" of "semi-monopoly" company. I should like to make it quite clear that any suggestion of monopoly or semi-monopoly in connection with our business is not in accordance with facts.

INDUSTRIAL REPORTS—continued

Other Foods

Provisions.—Throughout the week there has been only a poor demand for meat, particularly for fresh meat. The Board of Trade has arranged for the import of an additional quantity of 15,000 cwt. of bacon in the next fortnight to replace a temporary deficiency in home supplies. Egg prices continue their seasonal decline.

★

Colonial Produce.—The price of Accra cocoa again weakened with only a poor demand. At the coffee auctions, there was a brisk trade in Kenya kinds, but coffee from Costa Rica was again neglected. Prices at the London tea auctions improved with a good demand. The sugar market has been quiet.

★

Fruit and Vegetables.—Increasing supplies of potatoes tend to reduce prices for all except the best samples. Trade in other vegetables at the London markets has also been quiet and the demand for apples appears to have slackened.

★

Milk.—We give below our usual monthly table compiled from statistics issued by the Milk Marketing Board. Owing to the inclusion in the scheme from October, 1937, of various classes of producers who were previously exempt, it is not possible to compare directly the sales of milk in 1937 and

1938. Comparing the last three months of the two years, however, liquid sales on wholesale contracts (excluding sales by producer-retailers) increased from 153.9 to 156.8 million gallons, sales of milk for manufacture (including milk manufactured by farmhouse cheesemakers) increased from 33.9 to 52.8 millions and total sales through the Milk Marketing Board therefore increased from 187.8 to 209.6 million gallons.

	Dec., 1937	Oct., 1938	Nov., 1938	Dec., 1938
Prices (per gall.)	d.	d.	d.	d.
Liquid	18	17	17.5	17.5
Av. manufacturing ..	7.673	7.199	7.111	7.327
Av. pool	15.64	14.0	15.07	15.43
Contract sales (mill. galls.)				
Liquid	51.2	52.9	51.0	52.9
Manufacturing	12.9	20.6	15.2	13.2
Total contract	64.1	73.5	66.2	66.1
Used by farmhouse cheesemakers	0.7	2.2	1.0	0.5

Miscellaneous Commodities

Oils and Oilseeds.—These markets have again been quiet and prices, where changed, are lower on the week. The up-country sales of linseed in the Argentine remain large and visible stocks at the ports have increased, in spite of good shipments. Quotations for cotton seed declined by 2s. 6d. per ton during the week, but business is still very small.

Rubber.—The market has been overshadowed by political developments and by the approach of the next meeting of the International Regulation Committee. Consequently business in the last week was small and prices again drifted downwards; the price of standard sheet on the spot closed on Wednesday at 7½d. per lb.

★

Furs.—The opening of the Australian sale in London had to be postponed from Thursday to Friday of this week, because the close of the series of silver fox sales was delayed considerably owing to the large supply. In spite of the large offerings, however, silver fox prices declined but slightly on December. In most cases the decline in the closing week of the sale did not exceed 5 per cent. This comparatively satisfactory state of prices, however, was only partly due to the substantial demand, which came mainly from France, the United Kingdom and South America. In many cases the high limits of the sellers and as a result the large withdrawals helped to keep prices up. On the free market the position is not promising at present. Consequently the outlook of the Australian sale and the general winter sales series, which will start at the beginning of next week, is not too good, although a number of furs are expected to show improvements on the very low levels paid at the autumn sales in October, which were adversely affected by the political September crisis.

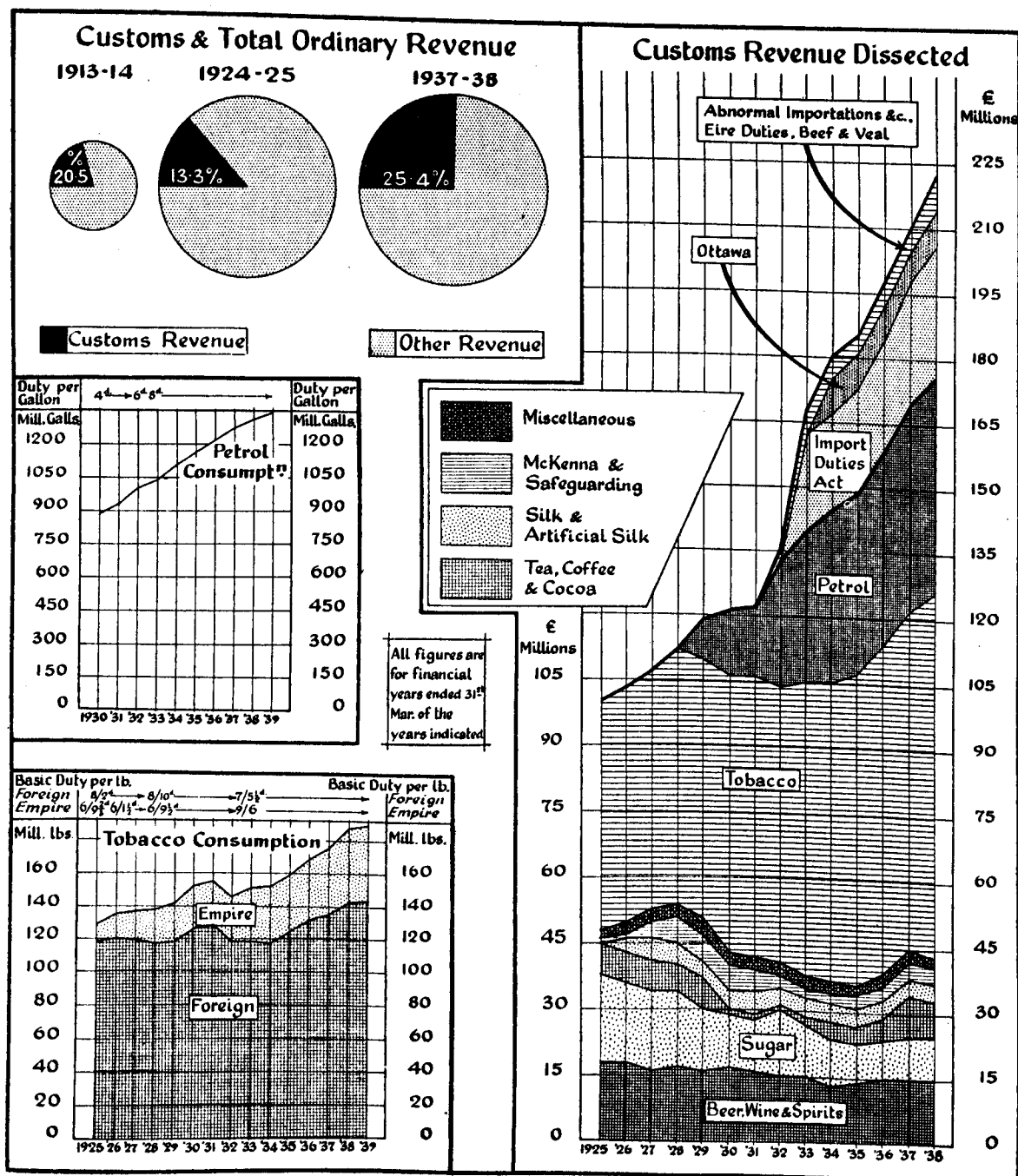
CURRENT STATISTICS

CONTENTS

	Page		Page
FINANCE		INVESTMENT	
Customs Revenue	222	Transport Receipts	227
Government Returns	223	Bank Balance Sheet	227
Bank of England Returns	223	London Active Securities and Yields	228
Overseas Bank Returns	224	The Week's Company Results	230
Bank Clearings	225	Dividend Announcements	230
Money Rates	225		
Exchange Rates	225	INDUSTRY AND TRADE	
Imports and Exports of Gold and Silver	226	Commodity Statistics	231
Monthly Statement of London Clearing Banks	226	British Wholesale Prices	232

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

Customs Revenue



The figures of tobacco and petrol consumption for 1938-39 are estimates on the basis of returns up to the end of October. Revenue from petrol includes small sums from other hydrocarbon oils.

Finance

GOVERNMENT RETURNS

For the week ended January 21, 1939, total ordinary revenue was £40,964,000, against ordinary expenditure of £12,134,000. Thus, excluding sinking fund allocations and Defence expenditure from loans, the deficit accrued since April 1st last is £186,505,000, against a deficit of £109,043,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Jan. 22, 1938	April 1, 1938, to Jan. 21, 1939	Week ended Jan. 21, 1938	Week ended Jan. 21, 1939
ORDINARY REVENUE					
Income Tax	341,150	140,350	153,678	18,405	22,704
Sur-tax	62,000	23,350	26,170	3,290	3,940
Estate, etc., Duties	88,000	72,280	60,650	1,280	1,260
Stamp	24,000	16,980	15,760	30	180
N.D.C.	20,000	148	14,850	40	730
Other In. Rev. Duties	1,250	810	940	130	70
Total I. Rev.	536,400	253,918	272,048	23,175	28,884
Customs	227,950	180,622	181,899	3,841	3,550
Excise	116,150	93,500	96,300	6,100	6,400
Total Cust. and Excise	344,100	277,122	278,199	9,941	9,950
Motor Duties	36,000	29,954	24,270	6,605	492
P.O. (Net Receipt)	8,670	11,750	9,290	1,400	1,500
P.O. Fund	2,400	25	...	...	...
Crown Lands	1,330	1,030	1,020	...	...
Rec. from Sun. Loans	5,250	5,093	5,564	...	...
Misc. Rec.	10,500	11,189	10,004	96	138
Total Ordinary Revenue	944,650	590,081	600,395	41,217	40,964
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	58,500	62,160	1,000	1,000
Total...	1,025,092	648,581	662,555	42,217	41,964

Expenditure	Issues out of the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Jan. 22, 1938	April 1, 1938, to Jan. 21, 1939	Week ended Jan. 21, 1938	Week ended Jan. 21, 1939
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	194,144	196,378	400	1,434
Payments to N. Ireland	8,900	5,517	5,974	...	...
Other Cons. Fund Serv.	5,239	2,858	4,545	...	...
Total...	244,139	202,519	206,897	400	1,434
Supply Serv.	702,409	496,604	580,004	8,000	10,700
Total Ord. Expend. ...	946,548	699,123	786,901	8,400	12,134
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	58,500	62,160	1,000	1,000
Total...	1,026,990	757,623	849,061	9,400	13,134

* 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 reducing Exchequer balances by £320,290 to £2,815,669, the other operations for the week (as shown below, but excluding £5,000,000 issued under the Defence Loans Act and £2,000 issued to Sinking Funds) reduced the gross National Debt by £24,148,000 to about £8,367 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES IN DEBT (£ thousands)		NET REPAYMENTS, ETC.	
Pub. Dept. Adv.	500	Treasury Bills	24,323
Nat. Savings Cts.	150	N. Atl. Shipping...	25
		P.O. and Teleg.	450
		(Money) Acts	24,798

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to January 21, 1939, are shown below:—

Ordinary Exp. (£ thousands)		Ordinary Rev. (£ thousands)	
Ordinary Exp.	786,900	Ordinary Rev.	600,395
Fire issues	3,758	Fire receipts	10,000
Defence Loan	29,500	Gross bor. 217,705	
Issues in balances	452	Less	
		Sinking Fds.	7,490
		Net borrowing	210,215

820,610 820,610

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
Jan. 22	597.0	301.0	28.1	...	926.2	329.1
Sept. 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	386.4	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
Dec. 3	517.0	445.4	49.5	...	1,011.9	494.9
" 10	507.0	465.3	46.7	...	1,019.0	512.0
" 17	500.0	474.2	51.5	...	1,025.7	525.7
" 24	493.0	495.3	42.1	...	1,030.4	537.4
" 31	488.0	497.6	45.8	5.3	1,036.7	543.4
1939						
Jan. 7	474.0	524.5	41.0	0.7	1,040.2	565.5
" 14	449.0	525.5	37.1	...	1,011.5	526.6
" 21	426.0	524.1	37.6	...	987.5	561.7

* 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 (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1938					
Jan. 21	35.0	88.2	32.0	8	22
Sept. 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	14	11.37
" 25	35.0	69.6	35.0	17	7.80
Dec. 2	35.0	74.8	35.0	17	11.03
" 9	35.0	68.8	35.0	19	2.10
" 16	30.0	70.6	30.0	20	0.79
" 23	35.0	62.9	35.0	22	0.45
" 30	35.0	74.1	31.0	13	8.88
1939					
Jan. 6	25.0	60.3	25.0	11	0.08
" 13	25.0	65.1	22.0	10	8.09
" 20	25.0	67.8	25.0	10	3.54

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On January 20th applications at £99 17s. 5d. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted at about 22 per cent. and week were accepted at higher prices in full. Applications at £99 17s. 5d. for bills to be paid for on Monday were accepted in full. £20.0 millions of Treasury bills are being offered on January 27th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number		Purchase Price
	Calendar years:		
1937	32,093,599	24,070,199	
1938†	31,769,871	23,827,403	
Week to:—			
Jan. 8, 1938	695,854	521,890	
Dec. 31, 1938 (4 days)...	413,766	310,324	
Jan. 7, 1939	644,051	483,038	

† Provisional figures only.

BANK OF ENGLAND RETURNS

JANUARY 25, 1939

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt..	11,015,100
In circula. 463,845,014		Other Govt. Securities ..	388,641,821
In Bnkg. De- partment..	62,569,243	Other Secs...	34,333
		Silver Coin ..	308,746
		Amt. of Fid. Issue	400,000,000
		Gold Coin & Bullion ..	126,414,257
			526,414,257

BANKING DEPARTMENT

£		£	
Capital	14,553,000	Govt. Secs...	82,006,164
Res.	3,520,972	Other Govt. Securities ..	18,784,290
Public Deps.*	12,918,249	Discs., etc.	21,861,753
Other Deps.:			
Bankers ...	118,188,203	Securities...	40,646,043
Other Acs.	36,713,504	Gold & Silver Coin	672,478
	154,901,707		185,893,928

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Compared with	
	Amt. Jan. 25 1939	Last Week Last Year
COMBINED LIABILITIES		
Note circulation	463,845	- 4,108 - 9,353
Deposits: Public	12,918	+ 667 - 637
Bankers	118,188	- 1,747 + 5,116
Others	36,714	+ 21 - 635
Total outside liabilities	631,665	- 5,168 - 5,509
Capital and res.	18,074	+ 25 - 42
COMBINED ASSETS		
Govt. debt and securities	481,663	- 3,711 + 183,286
Discounts and advances	18,784	+ 294 + 8,356
Other securities	21,896	- 1,776 + 2,383
Silver coin in issue dept.	309	- 2 + 299
Gold coin and bullion...	127,087	+ 52 - 199,875
RESERVES		
Res. of notes & coin in banking department...	63,242	+ 4,161 + 9,478
Proportion of reserve to outside liabilities—		
(a) Bankg. dept. only ("proportion")	37.6%	+ 2.7% + 4.8%
(b) Gold stocks to deposits and notes ("reserve ratio")	20.1%	+ 0.2% - 31.3%

COMPARATIVE ANALYSIS

(£ millions)

	1938		1939			
	Jan. 26	Jan. 4	Jan. 11	Jan. 18	Jan. 25*	
<i>Issue Dept.:</i>						
Notes in circ.	473.2	488.1	475.6	470.0	463.8	
Notes in bank- ing dept.....	53.2	68.3	50.8	58.5	62.6	
Govt. debt and securities ...	199.4	229.6	399.6	399.6	399.7	
Other sec.	0.6	0.1	0.1	0.1	0.0	
Gold	326.4	326.4	126.4	126.4	126.4	
<i>Deposits:</i>						
Public	13.6	20.5	19.2	12.3	12.9	
Bankers'	113.1	136.0	118.1	119.9	118.2	
Others	37.3	37.2	36.7	36.7	36.7	
Total	164.0	193.7	174.0	169.9	167.8	
<i>Bkg. Dept. Secs.:</i>						
Government ..	98.9	71.4	96.2	85.8	82.0	
Discounts, etc.	10.4	48.9	22.1	18.5	18.8	
Other	18.9	22.4	22.3	23.6	21.9	
Total	128.3	142.7	140.6	127.9	122.7	
Banking dept. reserv.....	53.6	69.0	51.4	59.1	63.2	
%	%	%	%	%	%	
"Proportion"	32.8	35.6	25.5	34.9	37.6	
Reserve ratio†	51.4	48.0	19.6	19.9	20.1	

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in *The Economist* of May 28, 1938. The latest returns of the Bank of Egypt appeared in our issue of December 24th; Greece, of December 31st; Argentina, of January 7, 1939; International Settlements, Denmark, India, and Norway of January 14th; Canada, Finland, Iran, Java, Yugoslavia, Poland, Roumania and South Africa of January 21st.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
RESOURCES	27, 29, 19, 26	27, 29, 19, 26	27, 29, 19, 26	27, 29, 19, 26
Gold certifi. on hand	1938	1938	1939	1939
and due from Treas.	9,118	11,788	11,896	11,905
Total bills discounted	9,568	12,123	12,341	12,365
Total bills in open mkt.	441	325	435	449
Total bills on hand	12	7	4	1
Industrial advances	18	1	5	5
Total U.S. Govt. secs.	2,564	2,564	2,564	2,564
Total bills and secs.	2,594	2,587	2,584	2,584
Total resources	12,776	15,511	15,707	15,636
LIABILITIES				
F.R. notes in circ.	4,119	4,470	4,338	4,319
Aggregate of excess m.				
bank res. over reqts.	1,440	3,070	3,560	3,600
Deposits	7,296	8,577	9,130	9,166
Member bank reserve account	1,117	941	900	767
Govt. deposits	7,870	10,023	10,365	10,403
Cap. paid in and surplus	308	310	311	311
Total liabilities	12,776	15,511	15,707	15,636
Reserve to depts. and				
F.R. notes	80.2%	83.6%	83.9%	84.0%
U.S.F.R. BANKS AND				
TREASURY COMBINED				
RESOURCES	12,755	14,508	14,615	14,640
Treasury and Nat. Bk.				
currency	2,654	2,790	2,810	2,812
LIABILITIES				
Money in circulation	6,294	6,912	6,666	6,623
Treasury cash and de-				
posits with F.R. Bks.	3,759	3,648	3,526	3,521

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

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Total gold reserves	3837.6	5158.6	5622.0	5710.5
Total bills discounted	3.6	1.7	1.2	1.8
Bills bt. in open mkt.	0.2	0.2	0.2	0.2
Total U.S. Govt. secs.	739.5	815.4	724.6	724.6
Total bills and secs.	747.7	821.2	730.0	730.5
Deposits	3306.5	4404.5	4873.2	4914.1
Member bank reserve account				
and F.R. notes	85.4%	87.5%	89.7%	89.8%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Loans, total	9,226	8,460	8,430	8,412
Investments	12,023	12,990	13,219	13,114
Reserve with Federal	5,473	7,395	7,057	7,237
Due from domestic bks.	1,918	2,487	2,410	2,559
LIABILITIES				
Deposits: demand	14,219	16,114	15,986	15,888
Time	5,225	5,127	5,160	5,161
U.S. Government	679	533	637	630
Inter-bank	5,665	6,790	6,580	6,357

BANK OF FRANCE.—Million francs

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Gold*	58,933	87,265	87,265	87,265
Bills: Commercial	12,313	11,167	9,571	9,863
Bought abroad	834	781	747	747
Advances on securities	3,894	3,640	3,476	3,417
Thirty-day advances	1,072	448	549	459
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	31,904	20,627	20,627	20,627
Negotiable bonds	5,580	5,530	5,530	5,475
Sinking Fund Dept.	4,073	4,130	4,332	4,149
Other assets				
LIABILITIES				
Notes in circulation	91,865	108,532	110,192	109,271
Deposits: Public	3,122	5,910	5,347	5,599
Private	23,299	26,163	23,430	24,041
Other liabilities	3,517	2,983	3,131	3,091
Gold to sight liabilities	49.8%	62.0%	62.7%	62.7%

* Revalued Nov. 17, 1938, at 27½ milligrams.

REICHSBANK

Million Reichsmarks

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Gold	70.7	70.8	70.8	70.8
Of which deposited abroad	20.3	10.6	10.6	10.6
Res. in foreign currencies	5.7	5.9	5.9	5.7
Bills and cheques	481.8	7358.7	6944.8	6602.1
Silver and other coins	251.7	155.2	209.5	254.9
Advances	43.1	45.9	39.9	36.0
Secs.: for note cover	394.0	854.5	554.1	554.1
Others	869.4	1355.0	1306.8	1434.8
Other assets				
LIABILITIES				
Notes in circulation	4714.8	7666.5	7425.4	7166.4
Notes daily maturing	754.3	1062.0	916.4	1003.5
Other liabilities	334.4	453.1	423.4	421.7
Cover of note circulatn.	1.62%	1.00%	1.03%	1.07%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Gold and English stg.	16.00	16.01	16.03	16.03
Other coin, bullion, &c.	5.66	4.98	5.24	5.71
Call money, London	27.56	24.77	19.83	19.41
Secs. and Treas. bills	93.21	100.94	98.32	97.51
Discounts and advances	12.25	14.82	15.82	15.95
LIABILITIES				
Notes issued	49.53	51.53	48.53	48.03
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	94.23	92.73	87.60	88.03

NATIONAL BANK OF BELGIUM

Million belgas

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Gold	3,550	3,425	3,430	3,433
Silver and other coins	52	58	52	56
Foreign exchange, etc.	1,009	920	925	920
Bills and securities	586	591	577	566
LIABILITIES				
Notes in circulation	4,292	4,381	4,391	4,367
Deposits: Govt.	23	118	51	96
Other	831	447	488	456

NATIONAL BANK OF BULGARIA

Million levass

ASSETS	Dec. 1937	Nov. 1938	Dec. 1938	Dec. 1938
Gold holdings	1,994	2,003	2,003	2,006
Balances abroad and foreign currencies	696	1,105	1,245	1,279
Discounts and advances	1,386	1,082	898	974
Advances to Treasury	3,495	3,468	3,468	3,468
LIABILITIES				
Notes in circulation	2,569	2,938	2,694	2,800
Sight liab. and deposits	3,831	3,604	3,830	3,774

NATIONAL BANK OF CZECHO-SLOVAKIA.—Million Cz. kr.

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Gold	2,633	2,358	2,359	2,380
Gold against gold liab.	...	336	336	336
Balances abroad and foreign currencies	510	1,288	1,247	1,228
Discounts and advances	2,203	3,192	3,377	3,233
LIABILITIES				
Bank notes in circulatn.	5,857	6,634	6,726	6,772
Deposits	919	611	857	902

BANK OF DANTZIG

Million Danzig gulder

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Gold coin and bullion	28.37	28.30	28.34	26.77
Danzig subord. coin	3.83	3.29	2.58	3.21
Balances abroad and foreign bills	3.76	2.49	2.39	2.25
Discounts	14.75	26.52	24.89	25.27
LIABILITIES				
Notes in circulation	32.06	37.01	41.17	36.30
Deposits on demand	15.46	19.90	13.49	16.58

BANK OF ESTONIA

Million Estonian kronas

ASSETS	Dec. 1937	Nov. 1938	Dec. 1938	Dec. 1938
Gold coin & gold bullion	34.21	34.30	34.30	34.30
Net foreign exchange	17.01	16.39	15.98	17.29
Home bills discounted	13.49	11.42	13.89	13.39
Loans and advances	13.20	15.09	11.70	16.22
LIABILITIES				
Notes in circulation	49.08	51.90	53.77	51.69
Sight dep. and current accounts, of which:				
(a) Government	37.69	34.45	31.65	37.51
(b) Bankers	22.21	18.00	17.69	19.00
Reserve to current liabilities	12.59	13.92	11.47	15.99

NATIONAL BANK OF HUNGARY

Million pengö

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Metal reserve:				
Gold coin and bullion	84.0	94.1	124.1	124.1
Foreign exchange	58.6	116.3	93.3	92.4
Int. bills, wts., & secs.	379.8	442.3	464.5	461.8
Advances to Treasury:				
Long term	117.2	191.3	193.0	193.0
Czech-Kr. exch.		77.2	76.7	76.7
LIABILITIES				
Notes in circulation	387.8	767.4	794.5	777.2
Current accounts, and sight liab.	269.4	202.8	213.5	218.9
Cash certificates	69.7	66.0	66.0	99.0

BANK OF JAPAN.—Million yen

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Coin & bullion:				
Gold	801.0	501.3	501.3	501.3
Other	24.2	50.4	46.5	46.3
Spec. fd. for for. exch.	657.5	496.2	479.3	541.9
Discounts and advances	1387.2	1562.2	1900.3	1841.4
Agencies' accounts	109.2	127.5	175.6	165.1
LIABILITIES				
Notes issued	2305.1	2177.9	2543.0	2754.9
Deposits: Government	302.1	475.7	428.1	307.1
Other	132.0	160.0	131.2	131.2

BANK OF LATVIA

Million lats

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Gold coin and bullion	77.55	82.60	87.69	87.70
Silver coin	13.89	12.13	12.37	12.56
Foreign currency	42.89	42.73	38.64	39.49
Treas. notes and change	9.64	8.38	10.76	10.70
Short-term bills	46.91	48.16	47.24	46.47
Loans against securities	87.70	103.92	101.77	102.04
LIABILITIES				
Notes in circulation	59.10	82.18	76.25	75.69
Deposits & currnt. accts.	142.97	149.14	149.08	152.30
Government accounts	61.51	58.16	62.91	64.33

BANK OF LITHUANIA.—Million litas

ASSETS	Jan. 1938	Nov. 1938	Dec. 1938	Jan. 1939
Gold	79.06	66.44	64.71	63.55
Silver and other coins	13.52	17.30	17.21	17.21
Discounts	97.22	95.68	100.20	96.86
Advances	17.21	21.08	20.51	20.43
LIABILITIES				
Bank notes in circulatn.	112.76	142.63	141.70	138.45
Current accounts	74.90	43.69	42.19	45.57
Deposits	16.89	10.47	19.68	17.16

NETHERLANDS BANK

Million florins

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Gold	1400.8	1461.2	1461.2	1461.2
Silver	18.0	27.3	28.3	29.0
Home bills etc.	4.7	8.9	8.2	8.2
Foreign bills	5.2	3.6	3.2	3.2
Loans and advances	211.1	308.5	305.4	305.2
LIABILITIES				
Notes in circulation	850.8	991.5	972.4	963.4
Deposits: (a) Govt.	192.6	136.5	179.9	179.9
(b) Other	612.5	701.8	679.7	684.2

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

ASSETS	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
Gold	1938	1938	1939	1939
Sterling exchange	2.80	2.80	2.80	2.80
Advances to State	16.68	4.37	3.93	4.37
Investments	7.12	15.58	17.00	17.00
LIABILITIES				
Bank notes	2.66	3.60	3.60	3.60
Notes in circulation	14.53	16.30	16.13	15.83
Deposits:				
(a) Govt.	3.04	2.54	2.62	2.80
(b) Banks and others	10.28	6.61	7.63	8.14
Reserves to sight liab.	70.0%	28.1%	25.5%	26.8%

BANK OF PORTUGAL

EXCHANGE RATES—cont.

NEW YORK

New York on	Jan. 19, 1939	Jan. 20, 1939	Jan. 21, 1939	Jan. 23, 1939	Jan. 24, 1939	Jan. 25, 1939
London:—	Cents	Cents	Cents	Cents	Cents	Cents
60 days	467 ¹ / ₁₆	467 ¹ / ₁₆	466 ¹ / ₁₆	466 ³ / ₁₆	466 ³ / ₁₆	466 ³ / ₁₆
Cables	468 ¹ / ₁₆	468 ¹ / ₁₆	467 ³ / ₁₆	467 ³ / ₁₆	467 ³ / ₁₆	467 ³ / ₁₆
Demand	467 ¹ / ₁₆	468 ¹ / ₁₆	467 ¹ / ₁₆	467 ¹ / ₁₆	467 ¹ / ₁₆	467 ¹ / ₁₆
Paris, Fr.	2 64 ¹ / ₁₆	2 64 ¹ / ₁₆	2 64 ¹ / ₁₆	2 64 ¹ / ₁₆	2 64 ¹ / ₁₆	2 64 ¹ / ₁₆
Brussels, Bel.	16 91	16 90	16 90	16 91	16 90	16 91
Switzerland, Fr.	22 59	22 58 ¹ / ₂	22 59 ¹ / ₂	22 58	22 57 ¹ / ₂	22 57 ¹ / ₂
Italy, Lira	5 26 ¹ / ₄	5 26 ¹ / ₄	5 26 ¹ / ₄	5 26 ¹ / ₄	5 26 ¹ / ₄	5 26 ¹ / ₄
Barin, Mark	40 08	40 05	40 05	40 02	39 95	40 00
Amsterdam, Guilder ..	54 31 ¹ / ₂	54 29 ¹ / ₂	54 26	54 09 ¹ / ₂	54 02 ¹ / ₂	54 01
Copenhagen, Kr.	20 90	20 90	20 88	20 88	20 87	20 83
Oslo, Kr.	23 52	23 52	23 50	23 50	23 49	23 50
Stockholm, Kr.	24 10	24 10	24 08	24 08	24 07	24 08
Athens, Dr.	0 86	0 86	0 86	0 85 ⁷ / ₈	0 85 ⁷ / ₈	0 85 ⁷ / ₈
Montreal, Can. \$	99 310	99 310	99 280	99 310	99 310	99 250
Yokohama, Yen	27 31	27 31	27 27	27 28	27 27	27 27
Shanghai, \$	16 32	16 37	16 35	16 45	16 46	16 43
B. Aires, Peso	29 04	29 04	29 01	29 01	29 00	29 01
Rio, Milreis†	5 95	5 95	5 95	5 95	5 95	5 95

Usance: T.T.

† Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended January 26, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
Gibraltar	£	£	Bombay GOLD	£	£
S. Africa	17,504	17,325	Canada	4,970	...
S. Rhodesia	64,395	...	Netherlands	237,138	...
Australia	109,961	...	Switzerland	30,335	360
New Zealand	68,628	...	Iran	23,136	...
Switzerland	5,791	9,401	United States	9,500	...
Egypt	17,830	...	Denmark	119	...
Total*	307,046	35,156	Total*	1,964,831	31,486
SILVER					
Eire	10	8,300	Eire SILVER	...	14,741
British W. Africa	...	10,730	Barbados	...	2,000
New Zealand	6,454	...	Sweden	2,533	...
Belgium	11,580	...	Poland	1,333	...
France	70,998	78	Germany	15,410	...
S. Rhodesia	124	...	Arabia-Saudi	12,232	...
United States	9,246	...	United States	8,770	344,000
Total*	98,432	19,178	Total*	33,351	372,973

* Including other countries.

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance December, 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	46,349	1,885	8,384	3,411	41,162	10,340	55,614	3,348	33,119	35,797	3,994	243,403
Balances with and cheques in course of collection on other banks in Great Britain and Ireland	12,073	885	2,393	1,462	11,539	3,141	13,348	281	7,894	11,008	1,909	65,933
Items in transit	...	...	...	...	4,324	...	...	...	...	...	...	5,055
Money at call and short notice	25,736	3,874	9,227	7,662	31,258	7,002	24,249	3,603	17,437	23,365	6,070	159,483
Bills discounted	61,220	1,098	6,079	670	44,370	4,248	55,572	1,407	31,391	43,084	1,185	250,324
Investments	98,442	7,565	29,296	10,694	109,908	35,103	122,022	14,249	84,003	112,186	11,582	635,050
Advances to customers and other accounts	197,613	9,317	31,059	9,611	163,455	43,461	207,368	17,142	139,403	133,440	14,384	966,253
Liabilities of customers for acceptances, endorsements, etc.	15,579	646	9,390	2,937	37,313	8,466	17,411	606	8,284	26,220	1,800	128,652
Bank premises account ..	7,478	412	1,590	740	7,577	2,789	9,736	622	7,489	5,168	1,067	44,668
Investments in affiliated banks and subsidiary companies	6,996	...	...	...	3,599	...	7,921	...	2,514	2,993	...	24,023
	471,486	25,682	97,418	37,187	454,505	115,281	513,241	41,258	331,534	393,261	41,991	2,522,844
Ratio of cash to current, deposit and other accounts	10.80	8.19	10.21	10.54	10.50	10.43	11.88	9.13	10.85	10.28	10.65	10.80
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	2,976	530	9,500	3,500	12,410	1,150	8,500	9,320	825	60,461
Current, deposit and other accounts	429,299	23,036	82,076	32,365	391,875	99,135	468,261	36,659	305,271	348,389	37,491	2,253,857
Acceptances, endorsements, etc.	15,579	646	9,390	2,937	37,313	8,466	17,411	606	8,284	26,220	1,800	128,652
Notes in circulation	...	...	...	...	7	...	...	1,343	...	12	...	1,382
Reduction of bank premises account	...	...	...	295	...	...	...	...	...	...	...	295
	471,486	25,682	97,418	37,187	454,505	115,281	513,241	41,258	331,534	393,261	41,991	2,522,844

SHORTER COMMENTS

(Continued from page 196)

British Plaster Board.—In connection with the recent offer by this company to shareholders of D. Anderson & Son, Ltd., acceptances have been received in respect of over 95 per cent. of both the preference and the ordinary shares.

Dufay-Chromex, Ltd.—For the 16 months to September 30, 1938, there is a loss of £122,378. Total sales for the six summer months of 1937 were exceeded in the following winter months and nearly doubled in the summer of 1938. Consolidated

balance sheet shows cash £154, compared with £52,298 at March 31, 1937.

Tilling and British Automobile Traction.—Net profit, 1938, £511,588, a rise of £69,489. Dividend for year 9 per cent. tax free, against 10 per cent. less tax. To general reserve, nil (£10,000). Carry forward reduced from £150,833 to £145,869.

New South Wales Gold Production.—The gold production in New South Wales during 1938 totalled 91,650 oz. fine, an increase of 23,043 oz. fine, on 1937. The value of the gold output was £813,500, an increase of £212,795 on 1937.

South Metropolitan Gas Company.—Final ordinary dividend, 3 per cent. actual, less tax, making 5½ per cent. for 1938 (same). Balance applicable to final ordinary dividend, £218,242 (£214,747).

Watford and St. Albans Gas.—With distribution now proposed of £3 8s. 9d. per cent. on ordinary stock, total for year is £6 17s. 6d. per cent., against 7 per cent. In July last rate was compulsorily lowered under sliding scale on account of increase in price of gas. Profits are £94,147 (£92,330).

(Continued on page 227)

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Jan. 22 (£'000)					Aggregate Gross Receipts 3 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
L. M. & S.—	386	485	321	806	1,998	1,148	1,414	949	2,363	3,511
1938	377	418	317	735	1,857	1,111	1,164	918	2,082	3,193
1939	259	335	302	637	896	776	966	844	1,810	2,586
L. & N.E. (a)—	253	293	269	562	815	750	785	773	1,558	2,308
1938	162	198	135	333	495	496	583	396	979	1,475
1939	169	178	118	296	465	500	512	354	866	1,366
Great Western—	162	198	135	333	495	496	583	396	979	1,475
1938	169	178	118	296	465	500	512	354	866	1,366
1939	283	60	41	101	364	790	170	112	282	1,072
Southern—	260	55	41	96	356	782	155	108	263	1,045
1938	1070	1078	799	1877	2,947	3,210	3,133	2,301	5,434	8,644
1939	1059	944	745	1689	2,748	3,143	2,616	2,153	4,769	7,912

(a) Week ended Jan. 21.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures	£	£	£	£
Gross decrease, first half 1938, over first half 1937	780	638	318	105
Gross decrease, second half 1938, over second half 1937	2,423	1,812	926	54
Gross decrease, first half 1939, over first half 1938	318	278	109	27
Weekly Figures				
Av. weekly decrease, 1st half 1939	106.00	92.66	36.33	9.00
Latest week compared with 1938	80	81	30	8
Latest week compared with average 1927-30	207	199	89	21

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended January 20, 1939 (£'000)			Aggregate Gross Receipts 3 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down ...	1.7	0.3	2.0	5.0	1.1	6.1
1938	1.7	0.4	2.1	5.1	1.0	6.1
1939	7.7	8.5	16.2	24.7	23.3	48.0
Great Northern	7.7	9.2	16.9	24.9	24.4	49.3
1938	26.2	39.2	65.4	85.0	137.5	222.5
1939	26.6	41.3	67.9	85.4	122.4	207.8

BANK BALANCE SHEETS.

COUTTS AND COMPANY

(£ thousands)

LIABILITIES	Dec. 31, 1937	Dec. 31, 1938	ASSETS	Dec. 31, 1937	Dec. 31, 1938
	£	£		£	£
Capital paid up	1,000	1,000	Coin, bank notes, etc.	2,376	2,304
Reserve fund	1,000	1,000	Balances with other banks	811	860
Current deposits and other accounts	23,441	21,246	Money at call and notice	2,245	1,955
Acceptances, etc.	744	642	Investments	8,901	7,551
			Bills discounted	1,423	974
			Advances	9,273	9,290
			Bank premises	412	412
			Acceptances, etc.	744	642
Total	26,185	23,888	Total	26,185	23,888

SHORTER COMMENTS (Continued from page 226)

International Combustion.—Net profit for the year ended September 30, 1938, £231,933 against £177,655. To tax reserve, £55,000 (£20,000). Total distribution for 1937-38, 32½ per cent. Forward, £21,510, against £17,878 brought in. Stock and work-in-progress has risen from £483,954 to £528,606.

Beans Industries.—Final ordinary dividend 22 per cent. actual, less tax, making 32, against 30 per cent. for the year ended November 30, 1938. Profits of £86,251 compare with £84,299.

D. Smith & Sons.—At the adjourned annual meeting on January 24th the two retiring directors who came up for re-election, Mr David Smith and Mr L. J. Hydleman, were re-elected on a show of hands. In the case of Mr L. J. Hydleman a poll was demanded, the result of which will be declared later.

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending Jan. 21, 1939, before pooling	£	£
Total, 30 weeks to date	17,049,100	+ 16,100
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 -
Bengal & N. Western	13 Dec. 31	Rs. 11,92,795	+ 38,711	Rs. 91,71,286	- 66,198
Bengal-Nagpur	39 Jan. 31	+29,09,000	- 1,16,607	6,84,43,930	- 11,53,177

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				Prices, Year 1939				Prices, Year 1939				Last two Dividends				Name of Security				Prices, Jan. 25, 1939				Yield Jan. 25, 1939			
High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est		Name of Security		High-est		Low-est		High-est		Low-est			
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive					
Jan. 1 to Jan. 25 inclusive		Jan. 1 to Jan. 25 inclusive		Jan.																							

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
					Pref. Amount	Ordinary Amount Rate				
Banks										
British Mutual Banking.....	Dec. 31	9,074	21,640	30,714	...	18,000	10	5,100	7,614	22,460
Royal Bank of Ireland	Dec. 31	11,014	37,527	48,541	...	18,600	8	20,000	9,941	40,279
Union Bank of Manchester	Dec. 31	15,476	96,529	112,005	...	54,375	10	43,000	14,630	99,213
Financial, Land, etc.										
Brown (C.) Holdings	Dec. 31	1,544	26,928	28,472	16,500	8,830	4	2,000	1,142	31,708
C. of Aberdeen Property, etc.	Dec. 31	972	10,640	11,612	2,475	5,764	15	1,500	901	9,322
Wemyss Collieries Trust	Nov. 11	21,704	48,216	69,920	19,310	8,483	9	15,000	27,127	52,910
Iron, Coal and Steel										
Steel Developments	Dec. 31	5,029	4,435	9,464	...	4,306	5½	...	5,158	4,300
Rubber										
Buloh River	Sept. 30	1,061	384	1,445	...	...	...	1,000	445	6,507
Gedong (Perak)	Oct. 31	1,550	2,443	3,993	...	1,520	2½	900	1,573	4,109
Padang Langkat	Sept. 30	2,968	9,659	12,627	...	6,645	4½	3,867	2,115	18,619
Tamang	Sept. 30	14,931	37,477	52,408	...	31,385	7½	4,000	17,023	58,886
Shops and Stores										
Darnell (J.) and Son	Dec. 31	4,297	15,703	20,000	...	14,500	10	...	5,500	22,521
Textiles										
Amalgamated Cotton Trust	Aug. 27	2,849	77,027	79,876	45,555	16,732	8½	...	17,589	166,707
Bennett (James), Warrington	Dec. 19	555	14,867	15,422	...	7,540	6½	7,491	391	16,350
Sparrow Hardwick and Co.	Dec. 31	21,866	31,283	53,149	14,000	12,000	6	4,577	22,572	35,076
Wilkinson and Riddell	Dec. 31	27,854	42,289	70,143	6,500	32,625	10	4,000	27,018	51,461
Tramways and Omnibus										
Tilling and B. A. Traction... ..	Dec. 31	150,833	511,588	662,421	20,000	496,552	9½	...	145,869	442,099
Trusts										
English and N.Y. Trust	Dec. 31	32,889	28,174	61,063	16,688	10,013	4½	...	34,362	31,916
Gen. Cons. Investment	Dec. 31	25,245	43,899	69,144	14,189	20,300	7	10,000	24,655	49,133
Greyhound Trust	Dec. 31	35,853	278,295	314,148	78,000	160,000	40	35,000	41,148	241,237
Metropolitan Trust	Jan. 2	51,031	88,799	139,830	28,125	55,104	12	...	56,601	99,479
Nat'l. Dom., etc., Invest.	Dec. 31	5,463	10,110	15,573	7,500	2,500	2½	...	5,573	9,002
Omnium Investment	Dec. 31	8,117	54,115	62,232	31,611	22,128	3½	...	8,493	48,850
Scottish United Investors	Dec. 31	20,848	51,297	72,145	26,400	17,600	5	5,000	23,145	65,664
Standard Trust	Dec. 31	34,911	47,419	82,330	24,338	14,750	5	8,570	34,672	50,906
Traction & Gen. Investment	Dec. 31	32,214	60,508	92,722	23,542	35,325	12½	...	33,855	66,987
Utilities and Gen. Trust	Dec. 31	9,456	15,721	25,177	9,062	4,531	2½	2,000	9,584	17,999
Waterworks										
Cleveland Water	Dec. 31*	7,003	2,742	9,745	...	3,400	10 & 7	...	6,345	5,014
(Other Companies)										
Bell and Nicholson	Dec. 31	22,713	33,708	56,421	2,030	27,188	12½	4,039	23,164	44,137
Berry Hill Brickworks	Dec. 31	3,523	11,064	14,587	4,712	4,640	8	1,650	3,585	17,056
Cow and Gate	Sept. 30	46,301	73,226	119,527	33,188	28,710	10	10,000	47,629	98,122
Dufay-Chromex	Sept. 30	Dr. 2,548	Dr. 122,378	Dr. 124,926	...	...	...	...	Dr. 124,926	(a)
Gen. Engineering (Radcliffe)										
International Combustion... ..	Sept. 30	1,347	20,584	21,931	...	9,425	20	4,029	8,477	(a)
Larkins (S. C.) and Sons	Dec. 31	32,140	27,766	59,906	2,719	18,750	12½	105,000	21,510	177,655
Lotus, Ltd.	Dec. 31	16,757	33,173	49,930	17,762	19,731	4	5,500	32,937	31,965
Lunt (Richard) & Co.	Dec. 31	20,760	23,775	44,535	800	17,750	12½	4,000	12,437	59,141
Marshall (T.) Marlbeck	Dec. 31	10,896	35,660	46,556	4,363	18,125	25	11,875	21,985	26,318
Pawsons and Leaf	Dec. 29	32,633	6,912	39,545	...	6,900	2½	...	12,193	31,871
Phillips Rubber Soles	Nov. 30	16,145	47,858	64,003	13,050	26,100	10	8,000	32,645	15,798
Williams (Ben) & Co.	Dec. 31	490	5,756	6,246	3,000	3,030	5½	...	16,853	39,931
Total Profits, 1939, in £'000's										
To January 21	75	6,411	11,898	18,309	1,264	7,689	...	1,807	7,549	12,994
To January 28	111	7,147	13,697	20,844	1,738	8,967	...	2,062	8,077	14,705

* For half year. † Free of income tax. (a) No comparable figure. (t) Absorbed £46,678. (s) Absorbed £400,000.
(v) Sixteen 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	Pay-able	Prev. Year	Company	*Int. or †Final	Total	Pay-able	Prev. Year	Company	*Int. or †Final	Total	Pay-able	Prev. Year
BANKS					Bent and Son	12½	20	...	17½	Linen Thread	3½	6	...	8½
Bank of Montreal	\$2 ps	...	Mar. 1	\$2 ps	Birmingham Trust	5½	8½	...	8½	Mansfield (Holdings)	5	6	Feb. 1	4
Bank of N.S. Wales	6½ ps	...	Feb. 23	6½ ps	Boldings (John) & Sons	7½	12½	...	12½	Metallgesellschaft A.G.	...	5	...	6
Bank of Poland	8	...	...	8	Bradbury Greatorex	6	9	...	9	Napier (D.) and Son	...	6	...	6
Com. of Sydney	3½	...	Jan. 27	3½	Brewery Invest. Trust	3½	9	Feb. 15	3½	Nat. Fixed Tst. B	7½	9½	Feb. 15	7½
INSURANCE					British Invest. Trust	7½	12	...	12	Nat. Mort. & Agency	2½	5½	Feb. 28	5½
Equity and Law Life	£9½	...	...	30(t)	Chester Waterworks	3½	6	...	6	Newcastle, etc., Gas	3½	5	Feb. 10	5
TEA & RUBBER					Commercial Gas	2½	4½	...	5	Romney Trust	3½	5	...	5
Tamang Rubber	7½	...	11½	7½	Daly (John)	10½	10½	...	10½	Rowton Houses	2½	5½	...	5½
Val d'Or Rubber	5	...	Feb. 15	7½	Denman Street Trust	4	6	...	6	Security First Trust	3½	5½	Feb. 1	5½
MINING					Electrical Industries Tr	22½	Jan. 30	33½	33½	South Met. Gas	3½	5	...	5
British South Africa	8½	...	Feb. 23	13½	Fenwick (Wm.) France	5½	7½	Mar. 1	10	South Suburban Gas	3½	5	...	5
INDUSTRIALS					Genatosa	10	...	...	10	Standard Trust	3½	5	...	5
Amalgamated Cotton	8½	...	...	8½	Glasgow Stkhdls. Tr	20	...	...	15	Sterling Trust	4½	6½	...	7
Anglo-Am. Teleg.	3½	...	...	3½	Griffiths (William)	2½	Feb. 13	3½	3½	Sunderland Gas	3½	5	...	5
Do. Deferred	1½	...	...	1½	Guardian Investment	4½	...	...	7	Taylor Woodrow Ests.	8	3	Feb. 24	6
Artizans Dwellings	22½	...	...	30	Hunter Barr & Co.	11	...	...	4	Threlfall's Brewery	3½	5	...	5
Bell and Nicholson	7½	...	...	11½	Imp. Tob. (G.B. & I.)	17½	25	Mar. 1	25	Watford Gas	3½	5	...	5
Benn Brothers Ord.	5	...	Feb. 15	5	Imp. Wood Pave.	10	...	...	15	Wembley Stad. (Def.)	20	20	...	20
Benn Brothers Def.	100*	...	Feb. 15	100*	Jerome	25	32½	...	30	White (John) Boots	7½	12½	Feb. 18	12½
Benns Combustion	5	...	...	7½	Land Revenue Trust	5	...	...	10					
Bennett (James) & Co.	4½	...	...	5*	Leathams (Ireland)	6½	...	Jan. 27	2*					

* Free of income tax. (t) On old capital.
(v) Payable in Australian currency.

Industry and Trade

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended		Jan.-December	
	Jan. 7, 1939	Jan. 14, 1939	1937	1938
Northumberland	219.2	296.3	14,365.5	13,437.3
Durham	525.7	674.3	33,550.5	31,533.5
Yorkshire	827.4	973.0	45,384.7	42,598.8
Lancs, Cheshire and N. Wales	298.1	367.7	17,743.3	17,040.5
Derby, Notts & Leicester	707.0	758.5	33,863.8	32,160.0
Staffs, Worcs. Salop and Warwick	410.9	434.0	20,203.2	19,586.9
South Wales & Monmouth	772.1	792.1	38,245.5	35,901.1
Other English districts*	106.8	122.4	5,564.2	5,477.0
Scotland	367.9	649.0	32,261.3	30,479.1
Total	4,235.1	5,067.3	241,182.0	228,214.2

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton				
RAW COTTON delivered to Spinners ('000 bales)				
Variety	Week ended		Total Deliveries	
	Jan. 13, 1939	Jan. 20, 1939	Aug. 1, 1937-1938	Aug. 1, 1937-1938
American	21.3	18.4	641	497
Brazilian	7.9	5.7	164	122
Peruvian, etc.	3.0	5.7	69	50
Egyptian	6.5	6.2	167	138
Sudan Sakel	2.0	1.6	82	81
East Indian	4.5	10.3	139	170
Other countries	5.8	2.5	97	71
Total	51.9	48.6	1,359	1,129

Metals				
SALES ON LONDON METAL EXCHANGE				
	Week ending		From Jan. 1 to Jan. 25, 1939	
	Jan. 18, 1939	Jan. 25, 1939		
Copper	Tons 7,450	Tons 5,725	Tons 23,575	
Tin	1,690	1,675	4,985	
Lead	5,150	4,800	22,650	
Spelter	4,825	3,375	13,850	

U.K. STOCKS			
	Jan. 14, 1939	Jan. 21, 1939	
Copper (Br. official whouses):	5,692	5,955	
Refined	25,304	26,327	
Rough	10,143	9,932	
Tin (London and Liverpool) ..	...	...	

GRAINS (per bushel)			
	Jan. 18, 1939	Jan. 25, 1939	
Wheat, Chicago, May	69½	70	
Winnipeg, May	62½	63½	
Maize, Chicago, May	52½	51½	
Oats, Chicago, May	29½	28½	
Rye, Chicago, May	47	47½	
Barley, Winnipeg, May	38½	37½	

METALS (per lb.)			
	Jan. 18, 1939	Jan. 25, 1939	
Copper, N.Y., Domestic spot...	9.97	9.85	
Producers' export	10.25	10.12½	

METALS—(cont.)

TINPLATE INDUSTRY				
-------------------	--	--	--	--

BRITISH WHOLESALE PRICES

	Jan. 18, 1939	Jan. 25, 1939
CEREALS AND MEAT		
GRAIN, etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	28 0	28 3
Eng. Gaz. av., per cwt.	4 5	4 5
Liv. Mar., per cental	4 8	4 8
Flour, per 280 lb.—		
Straights, d/d London	23 6	23 6
Manitoba, ex store	22 6	22 3
Barley, Eng. Gaz., av. per cwt.	7 10	7 11
Oats	6 5	6 2
Maize, La Plata, landed, 480 lb.	29 6	28 9
Rice, No. 2 Burma, per cwt.	7 0	7 0
MEAT—		
Beef, per 8 lbs.—		
English long sides	4 4	4 4
Argentine chilled hinds	4 4	4 4
Mutton, per 8 lb.—		
English wethers	4 8	4 8
N.Z. frozen wethers	2 4	2 4
Lamb, per 8 lb.—		
N.Z. frozen	4 4	4 4
Pork, English, per 8 lb.	6 10	6 10
BACON (per cwt.)—		
English	95 0	95 0
Danish	90 0	90 0
Irish	97 0	97 0
HAMS (per cwt.)—		
Canadian	98 0	98 0
United States	98 0	98 0

OTHER FOODS		
BUTTER (per cwt.)—		
Australian	123 0	121 0
New Zealand	125 0	125 0
Danish	138 0	136 0
Dutch	140 0	138 0
CHEESE (per cwt.)—		
Canadian	71 0	72 0
New Zealand	69 0	68 0
English Cheddars	84 0	84 0
Dutch	57 0	52 0
COCOA (per cwt.)—		
Accra, g.f.	21 9	21 3
Trinidad	37 0	37 0
Grenada	26 0	28 0
COFFEE (per cwt.)—		
Santos sup. c. & f.	33 6	32 6
Costa Rica, medium to good	62 0	60 0
Kenya, medium	75 0	75 0
EGGS (per 120)—		
English (15-15½ lb.)	17 6	17 0
Danish (15½ lb.)	11 6	11 6
FRUIT—		
Oranges, S. African boxes	...	...
Brazilian Rio Pera boxes	6 6	5 9
Jaffa boxes	10 9	12 0
Lemons, Naples boxes	9 9	10 0
Sicilian boxes	16 0	15 0
Apples, Amer. (var.) barrels	18 6	18 0
Canadian: Nova Scotia (var.) barrels	25 0	27 0
Grapes, Almeria barrels	12 0	11 3
Grapefruit, S. African	...	...
Jamaica	5 6	5 3
Jaffa, Seedless	11 0	8 6
Cyprus, seedless	10 0	10 6
Texas (March Seedless)	12 6	12 0
LARD (per cwt.)—		
Irish, finest bladders	50 0	50 0
U.S.	41 6	41 0
PEPPER per lb.—		
Black Lampong (in Bond)	0 23 4	0 23 4
White Muntok (f.a.q.) (in Bond)	0 34 0	0 34 0
White Muntok (f.a.q.) (var. paid)	0 34 0	0 34 0
POTATOES (per cwt.)—		
English, King Edward, Siltland	5 6	5 6
SUGAR (per cwt.)—		
Centrifugals, 96, prpt. shipm.	6 33 4	6 33 4
c.i.f. U.K./Cont.	19 10 12	19 10 12
Refined London—		
Yellow Crystals	19 10 12	19 10 12

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	99 0	99 0
Bars, Middlesbrough	245 0	245 0
Steel rails, heavy	190 0	190 0
Tinplates, per box	20 3	20 3
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	43 1/3	42 5/0
Three months	43 6/3	42 10/0
Tin—		
Standard cash	216 7/6	213 5/0
Three months	217 2/6	213 15/0
Lead, soft foreign—	14 10/0	14 6/3
Cash	14 11/3	14 8/9
English, pig	16 10/0	16 5/0
SPelter, G.O.B.—		
Spot	13 13/9	13 8/9
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	50 0/0	50 0/0
Wolfram, Chinese	57 0	57 0
Platinum, refined	7 10/0	7 10/0
Quicksilver	15 4/0	15 4/0

* Weeks ended Jan. 12th and 19th.

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

	Jan. 18, 1939	Jan. 25, 1939
SUGAR (per cwt.)—cont.		
Cubes	24 0	24 0
Crushed	22 3	22 3
Granulated	20 11 1/2	20 11 1/2
Home Grown	20 0	20 0
TEA* (Auction Average) (per lb.)		
N. India	13 07	13 25
S. India	13 48	13 71
Ceylon	14 88	15 00
Java	11 48	11 41
Sumatra	10 64	10 78
Africa	11 59	12 07
Total	13 44	13 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—		
Stemmed	1 0	1 0
Unstemmed	1 2	1 2

TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	5 21	5 17
Sakellariadis, F.G.F.	7 25	7 22
Giza, F.G.F.	7 30	7 33
Yarns		
40's Twist	8 7	8 7
60's Twist (Egyptian)	17 14	17 14
Cloth, 32 in. Printers, 116 yds.	16 1	16 1
36 in. Shirtings, 75 yds.	22 6	22 6
19 x 19, 32's & 40's	9 6	9 6
38 in. ditto, 38 yds.	8 7	8 7
39 in. ditto, 37½ yds.	8 7	8 7
16 x 15, 84 lb.	8 7	8 7
FLAX (per ton)—		
Livonian ZK	82 0	82 0
Pernau HD	83 0	83 0
Slanetz Medium, 1st sort	100 0	100 0
HEMP (per ton)—		
Italian PC	70 0	70 0
Manilla, Jan.-Mar. "J2"	20 0	20 0
JUTE (per ton)—		
Native 1st mks., c.i.f. H.A.R.B.	20 6/3	21 15/0
Jan.-Feb. 23 c.i.f. Dundee	20 0/0	21 5/0
Jan.-Feb.	14 5	15 5
SISAL (per ton)—		
African, Jan.-Mar.	17 0	17 0
SILK (per lb.)—		
Canton	7 3	7 3
Japan	8 3	8 6
Italian, raw, fr. Milan	8 0	8 0
WOOL (per lb.)—		
English, Southdown, greasy	12 12	12 12
Lincoln hog, washed	11 12	11 12
Queensland, scd. super combg.	22	22
N.S.W. greasy, super combg.	12	12
N.Z., greasy, half-bred 50-56	12	11 1/2
Crossbred 40-44	10	10
Tops—		
Merinos 70's average	26	25 1/2
64's	24 1/2	24
46's	16	15 1/2

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 1/4	1 0 1/4
" Nitric	0 2 1/2	0 2 1/2
" Oxalic, net	0 5 1/4	0 5 1/4
" Tartaric, English, less 5%	1 1 1/4	1 1 1/4
Alcohol, Plain Ethyl, per proof gal.	20/0/0	20/0/0
Ammonia, carb. per ton	21/0/0	21/0/0
" Sulphate	7/11/0	7/11/0
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	37/0/0	37/0/0
" Sulphate per ton	10/0/0	10/0/0
Soda Bicarb. per ton	11/0/0	11/0/0
Crystals per ton	5/5/0	5/5/0
Sulphate of copper per ton	19/10/0	19/10/0
COPRA (per ton)—		
S.D. Straits, c.i.f.	10/12/6	10/7/6
HIDES (per lb.)—		
Wet salted, Australian	0 4 1/2	0 4 1/2
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 1/4	0 6 1/4
Market Hides, Manchester—		
Best heavy ox and heifer	0 4 1/2	0 4 1/2
Best cow	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 1	1 1
Bark-Tanned Sole	2 2	2 2
Shoulders from DS Hides	0 6 1/2	0 6 1/2
" Eng. or WS do.	0 8 1/2	0 8 1/2
Bellies from DS do.	0 5 1/2	0 5 1/2
" Eng. or WS do.	0 7 1/2	0 7 1/2
Dressing Hides	1 0	1 0
Ro. Eng. Calif. 20/35 lb. per doz.	3 6	3 6
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit No. 1, London	1 6	1 6
Petroleum, Amer. rfd. brl. Lond.	0 10	0 10
Fuel oil, in bulk, for contracts, ex. instal. Thames—		
Furnace	0 33 1/4	0 33 1/4
Diesel	0 42 1/4	0 42 1/4
ROSIN (per ton)—		
American	15 5/0	15 10/0
RUBBER (per lb.)—		
St. ribbed smoked sheet	0 7 1/8	0 7 1/8
Fine hard Para	0 7 0	0 6 7/8
SHELLAC (per cwt.)—		
TN Orange	39 0	39 0
TALLOW (per cwt.)—		
London town	16 9	16 6
TIMBER—		
Swedish u/s 3 x 8 per std.	20 15/0	20 15/0
" 2 1/2 x 7	20 5/0	20 5/0
" 2 x 4	18 5/0	18 5/0
Canadian Spruce, Dis.	23 0/0	23 0/0
Pitchpine per load	13 10/0	13 10/0
Rio 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 12/0	0 12/0
English Ash Planks	0 7/0	0 7/0
VEGETABLE OILS (per ton net)—		
Linseed, naked	22 12/6	22 12/6
Rape, refined	31 15/0	31 15/0
Cotton-seed, crude	18 0/0	18 0/0
Coconut, crude	13 12/6	13 12/6
Palm	13 12/6	13 10/0
Oil Cakes, Linseed, Eng.	9 0/0	9 0/0
Oil Seeds, Linseed—		
La Plata, Jan.	10 16/3	10 15/0
Calcutta	12 11/3	12 10/0
Turpentine per cwt.	34 0	34 3

THE ECONOMIST

Vol CXXXIV

FEBRUARY 4, 1939

No. 4980

CONTENTS

LEADING ARTICLES

The Real Threat to Our Exports...	233
Berlin and Barcelona	234
Camps for Peace and War	236
The Two Ukraines	237

TOPICS OF THE WEEK

Recruiting Ministers	239
Commons, Dictators and Spain	239
Relief in the Pyrenees	239
America and the Democracies	239
M. Daladier and M. Bonnet	240
Agriculture's "Square Deal"	240
Progress in the Air	240
National Service	241
Civilian Defence	241
Helping the Czechs	241
Poland going "Back to France"?	241
Japan in Difficulties	242
The Palestine Conference Meets	242
A Defeat for Mr Gandhi	242
Scotland's Dilemma	243

OVERSEAS CORRESPONDENCE

United States; France; Germany; Eire; New Zealand	243
Dr Schacht and the Nazi System	247
The Future of Credit	247

LETTERS TO THE EDITOR

Dr Schacht and the Nazi System	247
The Future of Credit	247

BOOKS AND PUBLICATIONS

Meat and Monopoly	248
Books Received	248

THE BUSINESS WORLD

LEADING ARTICLES

Gold Revalued	249
The Road Haulage Industry	250
Outlook for Cotton Shares	251

FINANCE AND BANKING

War Risks Cover	253
U.S. Excess Bank Reserves	253
The Guilder's Weakness	253
The Dumping of Reichsmark Notes	255
Union Bank of Australia	255
MONEY MARKET NOTES	254

INVESTMENT

Course of Share Values	255
Foreign Bonds Depressed	255
Capital Issues in January	256
Building Society Trends	256

INVESTMENT—cont.

Gas Company Results	256
Gaumont-British Inspection	256
U.S. Steel Results	257
Canadian Pacific Earnings	257
Woolworth Expansion	257
Boot and Shoe Profits	258
"Chartered" Results	258
The Week's Company Profits	258
Company Meetings of the Week	258
THE STOCK EXCHANGES	259
CAPITAL ISSUES	262
SHORTER COMMENTS	262

INDUSTRY AND TRADE

Anglo-German Coal Talks	263
Volume of Overseas Trade	263
Trade Disputes in 1938	263
Falling Butter Consumption	264
Shipping Freight Rates Steadier	264
No Improvement in Commodity Prices	264
INDUSTRIAL REPORTS	265
THE COMMODITY MARKETS	266

COMPANY MEETINGS

COMPANY MEETINGS	267
CURRENT STATISTICS	274</

to be able to lay the blame for the difficulties of the export trades exclusively at Germany's door, since that would absolve us from any inquiry into our own mistakes and failings. There has been a growing tendency in this country in recent years for discussions of the future of export trade to be conducted on the unspoken assumption that the world is, in some way, under obligation to concede a certain volume of trade to us. Perhaps the attitude is an extension of the much more noticeable tendency of individual industries to formulate demands on the assumption that the community owes them a living. But in either case the effect is that the energy of those who suffer misfortune is diverted from the search for means of bettering their lot to the mere generation of wrath.

If we could bring ourselves to examine critically the bases of our export trade, we should find that we are, in fact, deliberately and cumulatively handicapping our own capacity to export. There would, after all, be nothing very novel in this discovery. It is part of the proven and accepted stock-in-trade of economics that a country which protects its domestic industries injures its export trades. The effect was postponed between 1932 and 1937, owing to the coincidence that the initial period of British protection was a time of very rapid industrial and commercial recovery. But the effects of protection, though postponed, have not been avoided, and they are coming to the surface, now that the concealing factor of trade recovery has been withdrawn.

The position of Britain in world trade is fundamentally similar to that of a manufacturer who buys his raw materials and sells the finished product. His competitive ability depends upon the price he charges for the service of converting materials into manufactures. Save for coal in a few markets, all our exports have to face competition in the countries that buy them. Save again for coal, all our exports are very largely produced from imported materials. Our competitive ability is measured by the conversion cost, the margin between the prices of imported raw materials and the prices of the exported manufactures. The quarterly calculation of these prices by the Board of Trade is recorded in a Note on page 263. If 1938 is compared with 1929, the average prices of our imports of raw materials have fallen by 30 per cent., those of our exported manufactures by only 13 per cent. As a result, the relative prices of British exports (the so-called "Terms of Trade") have risen by 24 per cent.

To a considerable extent this is inevitable. Raw material prices always suffer first and most from a period of depression, and it would be unreasonable to expect

manufacturers to reduce their prices in the same ruinous proportions. Every industrial country suffers in depressions from what is euphemistically known as a "favourable" movement of the terms of trade. The real complaint against our price policy is not that it has failed to close the gap between the prices of raw materials and manufactures (since that is an impossibility), but that it has widened it. Since 1935 the rise in the average price of our manufactured exports has been actually greater than the rise in the average price of our imported raw materials. We have added to the price-disability under which we were labouring three years ago instead of diminishing it. The reasons for this are, of course, obvious. Since 1935 wage-rates have been quite substantially increased. The prices that the exporter has to pay for coal, steel and railway transport—the three most fundamental ingredients of the manufacturing process—have all risen, the first two substantially, in the last few years. The policy of protection has, of course, played its leading part in this raising of the British price structure. But it has been powerfully aided and abetted by the encouragement given to domestic industries, by Marketing Acts, Enabling Bills and the like, to form themselves into tight, semi-monopolistic cartels of producers who, with a shadowy minimum of public control, dictate the prices they will charge.

Ten years ago the public was familiar with the distinction between the sheltered and the unsheltered industries. What has been happening since then is that the sheltered industries, with several added to their number, have been barricading themselves in. The cost of the process has naturally fallen with increased force on those unfortunate industries which enjoy no shelter. Agriculture is half in and half out of shelter; though it has been given some tariffs, the political importance in an industrial community of cheap food inevitably limits its freedom. The export industries are wholly without shelter.

It is very important that the country should realise what is going on and should enter on the correct account the cost of supporting the increasing number of indigent industries who depend on exports or compete with imports. Shipping wants nearly £10 millions a year. Shipbuilding will want a tidy sum. Agriculture is putting forward a policy which, as was shown in these columns last week, will cost at least £30 millions a year. When others are added in, the total bill will be something like £60 millions a year in direct cost to the Exchequer, let alone the losses to private individuals through high prices at home and sinking exports abroad. Is this brand of Protection really worth a shilling on the income tax?

vinced that a superiority of force is the sovereign means of victory in the international arena. That conviction is frankly expressed several times over in this week's speech. He tells us, for instance, that, immediately after the crisis of last May, he set about mobilising the total military resources of Germany for the purpose of taking the Sudetenland from Czecho-Slovakia in the autumn—and the nature and significance of this fact are not affected by his naïve postscript that it would be "a gross distortion of the facts" to call this action "military blackmail." He tells us, again, that—notwithstanding his acknowledged economic and financial anxieties—he is going to continue the re-armament of Germany to the limit of his power. He has also told us that, while he is not going to war with Great Britain and France just now for the sake of recovering possession of the ex-German colonies, the present distribution of the world's riches will be corrected sooner or later by force if it is not corrected first by "justice."

Here we have a clear notification that Herr Hitler is as closely wedded as ever to his philosophy of force, and that he is only restrained from acting upon it by his awareness of certain limiting factors which may be more powerful than a dictator's will. In this week's speech he has admitted his awareness of a financial limitation. Germany must "export or die"—and here the Fuehrer is not on strong ground, seeing that Germany's closed economy is parasitic upon the open economy of the democratic Western Powers. If he does carry out his threat to launch a desperate trade offensive against us, he will be simply inviting us to treat him, in matters of commerce, as he has so long been treating us; and the result would certainly not be to Germany's advantage. Again, he denounces the B.B.C.'s broadcasts in German, and threatens to retaliate in kind; but this threat too falls flat, because Dr Goebbels has been broadcasting his propaganda abroad for years past. A country with a free Press is not in the least afraid of propaganda broadcasts from abroad, while the Fuehrer's anger is itself the best possible evidence that the B.B.C.'s scrupulously accurate and moderate broadcasts are having their effect in Germany.

German public opinion is, indeed, threatening to clip the Fuehrer's wings rather closely; and the present situation in Germany is reminiscent of that in China during the early years after the revolution of 1911. A long-suffering people will submit to being plagued and harried to a degree that fills a democratic observer with amazement; but all the same there is a certain line which the most reckless war-lord knows that he cannot overstep with impunity. Herr Hitler knows that he cannot with impunity subject the German people to a second bout of inflation in one lifetime. He also knows that, last autumn, he would have had difficulties in leading the German people into a major war—even for the sake of vindicating that right of national unification which, in the peace settlement of 1919-20, had been denied to the Germans when it had been granted to the Yugoslavs and Poles and Roumanians.

Now that, without a war, the incorporation of Austria and the Sudetenland into the Reich has been accomplished, it is not easy for Herr Hitler to present the Germans with a war-aim for which they will be willing to give their lives. After Munich there were many prophecies that Herr Hitler would swiftly gather in the Eastern fruits of his victory in the power game over the Western democracies. It was prophesied that Roumania, Yugoslavia and Poland would crumple up, and even that their troops would follow, perforce, in Herr Hitler's train in an expedition against Russia this spring in the style of Alexander the Great. Germany's machinations over the Carpatho-Ukraine pointed that way. But for this spring, at any rate, the Russian expedition seems to have been called off—at least, that is how the outcome of Herr von Ribbentrop's recent visit to Warsaw is apparently to be interpreted. Perhaps Herr Hitler now has reason to expect that, if he strikes eastward, Poland and Roumania, as well as Russia, will resist, and that he will then find himself committed to an arduous war for which his people will have no stomach.

Has he then—abandoning the fundamental thesis of "Mein Kampf"—and reverting to the pre-war policy of the German General Staff which he has so often castigated—now transferred his aggressive intentions to the Western front in the belief that here he will find a softer option? The Maginot Line is as formidable as ever, while a German air attack would find both Great Britain and France far better prepared for defence to-day than they were four months ago. In this week's speech Herr Hitler has made no immediate direct demands upon Great Britain and France. Indeed, he prophesied a long period of peace with them. This statement would be definitely encouraging were it not for two facts. The same voice promised in May, 1935, to respect "unconditionally" the

territorial changes of the Treaty of Versailles and declared that no annexation of Austria was intended or desired; and it told us in January, 1937, that the era of surprises was over. And, secondly, there was the passage this week which pledged Germany's armed support for Italy. This is the passage which is being the most anxiously scanned by the German public; and it is exceedingly obscure; for the official published German version does not tally with what the listeners thought they heard the Fuehrer say, or again with the semi-official English translation. Did Herr Hitler declare that Germany would take up arms on Signor Mussolini's behalf if they were involved in war in any circumstances? Or did he only say that Germany would fight for Italy if some third party wantonly picked a quarrel with her for ideological reasons?

Supposing that Herr Hitler really has pledged Germany's armed support to Signor Mussolini in any war in which Italy may be involved in any circumstances—and supposing further that this promise can be relied upon—which of the two partner-countries will be the cat's-paw? It is common knowledge that the Hitler-Mussolini Axis is unpopular in Germany and Italy alike. Each nation resentfully suspects that its own leader may one day decide to sacrifice it for the other nation's leader's benefit. Is it Signor Mussolini, with his preposterous demands upon France, who is dragging Germany towards the precipice? If so, the history of 1914 would be repeating itself; for, on Monday, Herr Hitler reminded his audience that Germany "simply slid into" the war of 1914-18 "from some at the time doubtless wrongly understood loyalty to an alliance." Or is the boot on the other foot? Is Herr Hitler, behind his momentary show of moderation, egging Signor Mussolini on to involve Italy in a war with France, on the calculation that Germany will then be able to fish for African colonies in troubled Mediterranean waters, with the certainty that Italy will be committed too far for neutrality?

Much depends, no doubt, on the extent of the strategic advantages which the pair of dictators believe that they can extract out of the victory which they have conferred upon General Franco in Catalonia. Pace the Prime Minister's prime article of faith, Signor Mussolini's promises have no better history than Herr Hitler's. If he can force General Franco to play the Italian game he will, and Castilian pride may be as impotent to evict the Italians and Germans from the Balearics, the Canaries, the Basque country and Galicia as it has been, for the past 235 years, to evict the British from Gibraltar. Will Signor Mussolini judge that his strategic leverage in Spain, together with Herr Hitler's perhaps rather equivocal backing, offers him the possibility of pressing, with success, his demands upon France in face of a decisive French "No"? If he does come to that conclusion, the breathing-space given to Europe by Herr Hitler's latest speech may prove, after all, to be a short one.

The Prime Minister was unquestionably right in requiring from Herr Hitler a demonstration of sincerity, in the form of an agreement to limit armaments, before any of the democracies' suspicions or precautions could be relaxed. Mr Chamberlain did not add—though he would have to if his suggestion were accepted—that any such limitation would need to be on the basis of complete equality in the air and would have to include provision for the most stringent control of all parties to see that promises were kept. These, of course, are admittedly very difficult conditions. But it is the bane of Nazi diplomacy that Germany's neighbours are so aroused and apprehensive that they can no longer be lulled by a speech, even one full of the fairest promises. Until actions, or the lack of them, reinforce Herr Hitler's words, the only possible course for the rest of us to pursue is embattled watchfulness and the utmost despatch in defence preparations.

Berlin and Barcelona

HERR HITLER might justly boast that he now holds the well-to-do bourgeoisie of the Western democracies on a string. He has only to give the string a jerk, and they get the jitters; to slacken it, and they cheer up again. At any moment the dictator in Berlin can make or mar business on the Stock Exchanges of London, Paris and New York. Last week, under the shadow of a fear that, in his speech on Monday, he was going to make swingeing demands upon the West European Powers, prices slumped; on the morrow of a speech which unexpectedly fell short of these apprehensions, prices rose sharply again. Both the downward and the upward movements were excessive; for by this time the City and Wall Street ought to have had enough experience of Herr Hitler's ways to have avoided both their exaggerated scare before, and their exaggerated relief after, the delivery of the Fuehrer's loudly trumpeted oration.

We know, for instance, that he is wholeheartedly con-

Camps for Peace and War

THE Englishman's home is proverbially his castle, and his objection to sharing it with strangers has deep historical roots. It is set out in the seventeenth century Bill of Rights where the billeting of soldiers in private houses is prohibited. It was heard again last September, when the billeting of children evacuated from towns met with protests, and it has been loudly restated since.

The reluctance of individuals to perform a distasteful type of national service might be disregarded. Clearly the Government's short-term plans for evacuation must envisage large-scale billeting. To save lives is more imperative than to spare susceptibilities. Nevertheless, there are obvious social, strategic and administrative reasons why billeting, except as an improvisation, is scarcely a satisfactory policy by itself. A considerable part of the evacuated population would probably have to be boarded out in war-time under any scheme. But there is a growing volume of lay and expert support for the view that camps, consisting, not of tents, but of sets of permanent buildings, like the holiday camps that have recently become popular, provide at least a partial alternative to billeting in private houses. It is widely argued that well-built and safely sited evacuation camps could be well used in time of peace to provide cheap and healthy holidays for the rising number of work-people who now take holidays with pay, or to supply the need for country schools at which town children might with benefit spend some part of each scholastic year. And it has been officially stated within the last few days that the inclusion of camps in the Government's defence programme is seriously contemplated.

The Government's task is one of considerable magnitude, and it is hard to see how it can be successfully undertaken solely on the basis of mass billeting. It was the considered view of the Anderson Committee last summer that a substantial proportion of the population of vulnerable urban areas, adults as well as children, would have to be transferred in case of war. Only those necessary to maintain vital war-time industries and essential services would be kept *in situ*. Estimates of the numbers that it would be practicable and wise to move from danger spots have run as high as 2,000,000 from Middlesex and London, 130,000 from Tyneside, 500,000 from the West Riding, 600,000 from Manchester and Merseyside, and 300,000 from the Birmingham district, making in all more than 3,500,000. Probably these estimates would in the event be proved much too generous. But it is scarcely likely that many fewer than 2,000,000 would have to leave London for safety.

The resettlement of 2,000,000 or so Londoners of all ages would strain the most comprehensive evacuation programme severely. Almost certainly it would be impossible as well as undesirable and dangerous to place them all in the private houses and public institutions to be found within the comparatively limited area over which it would be feasible to move so many people. Transport facilities are limited, and it would be difficult to organise supplies in, say, the remote West country, unless transport were considerably developed and a wholesale extension and improvement of dock facilities made the diversion of trade from Eastern to Western ports possible. The setting up of camps, built to withstand all weathers and provided with light, heat, water and power, may be the only means to solve the vast problem of London's refugees within the confined compass of the Home Counties.

The basis of any calculation of the capacity and cost of evacuation camps must necessarily be their prototypes, the holiday camps that are to be found in growing numbers on the East and South coasts and, less frequently, in North

Wales and Lancashire and inland in Surrey. The 150 or so camps of this kind that have so far been founded can be divided roughly into three groups. There are first of all those run primarily for the benefit of members of social groups or movements, such as the Civil Service Holiday Camps, which were pioneers in the field, and the camps of the Young Men's Christian Association. These are small camps which, although they commonly possess a minimum equipment of restaurant and common room for games and dancing, as well as sleeping chalets or huts, chiefly rely upon impromptu amusements, such as dances, cards and concerts, to entertain their visitors, who may number 200 or 300 at a time.

Secondly, there are the smaller camps run by private enterprise, with an accommodation up to about 500. They make up the bulk of the existing holiday camps, and, apart from ordinary common room amenities, their guests are left to make their own amusements, either in the camps or in near-by towns. The prices charged in these smaller commercial camps are broadly the same as in those run by social organisations and, last year, they ranged from £2 5s. to £2 10s. per head per week.

The large commercial camps which make up the third category are somewhat more costly, and they may house 2,000 or 4,000 visitors. The charges announced for this year vary from £2 12s. 6d. to £3 3s. a week, and these "super" camps make no attempt like the smaller ones to avoid mass-produced entertainment. To a large degree they are feeders to the amusement parks attached to them and provide such facilities as swimming pools, tennis courts, bowling greens, miniature golf courses, boats, licensed bars, billiards, hairdressing saloons, shops, post offices and, for an extra charge, riding and skating, in addition to paid organisers and games instructors. There can be no doubt that holiday camps, both large and small, are symbols of the times we live in. Just as the traditional boarding house provided, and still provides, a background to the annual family holiday that became a national habit in Victorian days, so does the holiday camp provide pleasures in keeping with the modern desire to be out of doors and away from conventional restrictions. It is certain, too, that, quite apart from their relevance to the problems of war-time evacuation and the need for country annexes to town schools, the camps' rôle in the life of the community is likely to grow in importance.

Already over 8 million working people enjoy paid holidays, and, of those insured against sickness, there are another 11 millions to be similarly furnished if general holidays with pay are to be achieved. So far the contribution of the holiday camps to the problem of accommodating the new class of holidaymakers, with their families, at cheap rates has been relatively small. The average accommodation in camps of all kinds is between 450 and 500, and the average number of visitors per camp is between 5,500 and 6,500 a year. Thus, between May and September, a total number of 850,000 or 950,000 visitors is catered for. With less than 1 million visitors a year and weekly charges of at least £2 2s. per head the camps cannot meet the vast new demand for cheap holiday accommodation.

Steps are already being taken by public and semi-public bodies to organise camps to meet these peace-time holiday needs. The National Fitness Council propose to organise camps with a minimum weekly charge of £2 10s. *per family* and, to take only one instance of local enterprise, Lambeth Borough Council is negotiating for a camp site at Herne Bay. Up and down the country, semi-permanent school camps are being set up by urban educa-

tion authorities. The question of organising camps on a wide scale for evacuation purposes has, therefore, more than merely a defence aspect. How far is it possible to kill three birds with one stone and provide camps for the refugees of any future war which will also serve as holiday centres and country schools? Is it feasible, in short, to build holiday camps cheaply, and so lower the present over-high weekly charges to working-class visitors, by subsidising their initial building costs out of Government expenditure, which would in any case have to be incurred?

In theory it is almost certainly possible. If 1,500-2,000 camps were built to house 1,000,000 of the total number of refugees (500 in each to spread the dispersal thin), the rest being assigned to billets, it would be possible in peacetime to accommodate some 10 million holidaymakers annually for a fortnight each between May 1st and September 30th at a low family charge. Estimates of the cost range from £30 to £50 millions, since what the camps lacked in the full range of amenities given by the super-commercial camps they would gain in necessarily much stouter construction in view of probable winter use. But a large part of the outlay would come back in holiday receipts, although the subsidised prices would be small.

In practice, it will not be so easy. The establishment of dual (or triple) purpose camps depends upon one all-important factor, namely, that the sites suitable for evacua-

tion camps will coincide with those suitable for holiday (and school) camps. Many of the present coastal camp sites would be unsuitable. Distant sites suitable for holiday camps would be inaccessible for evacuation and difficult to organise in war-time. Remote rural sites suitable for evacuation camps are not necessarily popular as holiday resorts, though they would serve well as country schools. London, for instance, would have to rely on the Chilterns, the North and South Downs, the Thames Valley, the coast from, say, Hampshire to Suffolk (avoiding all large towns), and perhaps the Cotswolds. In some of these districts water supply in summer is already a problem. In most of them the organisation of food supplies and essential services would not be simple.

The case for experiment is unassailable, and the rumour that the Government are to set up trial camps is welcome. Only thus can the practical obstacles be gauged and met. It may well be found that camps can solve only a limited part of the evacuation problem, which is, in any case, not isolated, but a sector of defence economy, dependent for its strategy upon the Government's plans with regard to trade, transport and distribution, food supplies and man-power. But, in so far as any part at all can be solved by dual or triple purpose camps, war will be used to pay the price of peace, and safety and the standard of good living will march together.

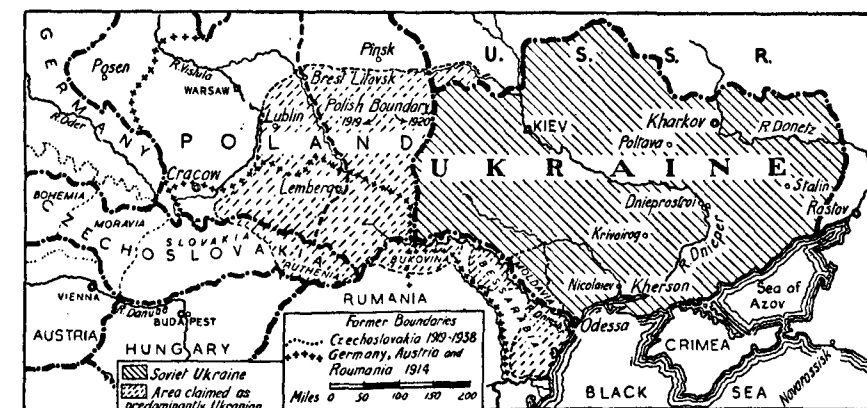
The Two Ukraines

(By a Correspondent)

ARE the Ukrainians a nation? The answer is both "Yes" and "No," for whereas the Ukrainians exist as a distinct people in relation both to the Russians and the Poles, their national aspirations are so different in Poland and in the Soviet Union that they must be regarded as two nations rather than one. This separation is a fact of great importance for any consideration of the prospects of Nazi expansion in Eastern Europe, and it is a fact which cannot easily be altered, because it is a product of long historical development and not merely of political conditions in the last twenty years.

The word *Ukraina* means "Frontier," and was originally applied to the southern fringe of the settled "Russian land" towards the wild uncultivated steppe near the Black Sea, which was the domain (up to the eighteenth century) of Tatar nomads. As this territory comprised the most fertile soil of Eastern Europe, the famous "black earth" belt—and as it lay nearest of the Russian lands to Constantinople, it was for a long time the most civilised and thickly populated part of Russia, but it was also the most exposed to raids and invasions from the Tatar steppe. Ethnically, the people of the Ukraine called themselves Russians, but they spoke South Russian dialects diverging considerably from the North Russian of Novgorod and the upper Volga country, from which modern standard Russian is derived.

The difference of dialect, however, would probably not have sufficed to create a Ukrainian nationality, if the Ukrainians had not been cut off politically from the main body of the Russians for four centuries. The Russians of the Ukraine were conquered by the Tatars in the thirteenth century, and when the Tatar power declined they did not regain their independence, but fell under the rule of the Lithuanians and of the Poles advancing from the west. Lithuania was eventually united with, and swallowed up by, Poland, which included in its widest extension



It should be noted that the above map shows the maximum Ukrainian claims on Polish territory.

Kiev, Poltava and Smolensk. The Poles themselves got hold of the Ukraine proper; the Russians who remained within the Lithuanian subdivision of Poland called themselves Lithuanians until the nineteenth century, when they took the name of White Russians (*Byelorussky*—not to be confused with politically "White" Russians), forming a third branch of the Russian people, distinct both from the Russians of Muscovy and from the Ukrainians.

As a result of the long Polish domination the linguistic separation of South Russian (Ukrainian) from North Russian was greatly accentuated; the former, took over many Polish words, which were often ultimately of German origin. On the other hand, the Poles did not succeed in absorbing the Ukrainians, so as to make a single Polish-Ukrainian nation, because of a profound cultural contrast. Polish culture was Latin and Catholic, the

Ukrainian was Byzantine and Orthodox. The Poles converted the Ukrainian nobles to Polish speech and the Catholic religion, but the Ukrainian peasants held fast to their old language and faith, and the linguistic and religious lines of division thus became identical with that of class antagonism.

A Ukrainian national movement, anti-Polish and anti-Catholic, came into being in the seventeenth century; its political base was the little republic of the Zaporog Cossacks, military colonists who guarded the south-eastern border of Poland against the Tatars. The Cossack Khmel-nitsky led a great revolt of the Ukrainian serfs; failing to set up an independent state, he put himself under the protection of the Muscovite Tsar. Thus a large area of the Ukraine became once more a part of "Russia," but from 1654 to 1708 it formed an autonomous unit called the Hetmanschina (also known as Little Russia) under the supremacy of Moscow. From the time of Peter the Great, however, the Russian Ukraine was brought more and more under centralised Tsarist rule, and the same process was applied to the Ukrainians further west after the Partitions of Poland.

The Ukrainians had at first welcomed the Muscovite Russians, their brothers in religious faith, as deliverers from Catholic Polish tyranny. But the harsh despotism of the Tsars was bound to clash with the Cossack republican tradition alive in the Ukraine from the days of Khmel-nitsky, and new hatreds arose out of the scramble of Muscovite nobles for black-earth lands. After the collapse of Poland Ukrainian antipathy was turned against Russia, and in the nineteenth century the struggle took the form characteristic of nationality conflicts all over Europe. Scholars and writers began to cultivate Ukrainian as a language distinct from Russian; the Petersburg bureaucracy replied with the *ukaz* of 1876, which made it practically impossible to print in Ukrainian. At this point a new saviour appeared for the oppressed people. By the Partitions of Poland the Ukrainians of Galicia had come under Austrian rule, and Austrian statesmen were quick to see in them an element which could be used as a counterweight both to Poles and to Russians. Ukrainian was recognised as one of the *Landessprachen* of Austria, and Lvov became the centre of Ukrainian literary culture.

In 1918 the Germans set up, after the collapse of Russia, separate Polish and Ukrainian states, the latter including all regions with a Ukrainian majority. The immediate aim of the Germans in the Ukraine was to get hold of grain to relieve the food shortage in Germany, and with this end in view they backed the Government of General Skoropadsky, who represented a clique of great landowners. But when Germany and Austria in turn collapsed, Skoropadsky had to flee, and the Ukraine fell into utter confusion. The Poles occupied part of the territory of the Ukrainian Republic in the west, while further east Ukrainian nationalists (Petlura), Russian "Whites" (Denikin), Anarchists (Makhno) and Bolsheviks fought for mastery. In the end the Ukraine was partitioned between Poles and Bolsheviks, and the two sections of the Ukrainian people have had quite different destinies ever since.

Most of what is now the Polish Ukraine was formerly Austrian, and the inhabitants look back to the days of Austrian rule as to a Golden Age. The Poles at first promised autonomy for the Ukrainian provinces, but they have never attempted to carry out their promise, and have on the contrary made every effort to obliterate Ukrainian nationality and Polish the population. Resistance on the part of the Ukrainians has been met with repression; in 1930 a systematic "pacification" was carried out, and cavalry detachments went from village to village flogging peasants at random without any form of trial. To-day there is probably no hatred in Europe equal to that of the Ukrainians for the Poles, and the irony of the situation is that, because Nazi Germany has found it convenient to

champion a cause which Britain and France formerly ignored, the anti-Fascists of the West will now be driven almost automatically to deny the claims of Europe's largest and worst-treated national minority.

There can be no doubt but that the Ukrainians of Poland are responding readily to agitation coming from Carpatho-Ukraine under the patronage of Germany. The memory of Austrian favour makes them naturally pro-German; they see no hope of a free national life except through separation from Poland; and the Ukrainian middle class in the towns would provide the social basis for a state of Fascist type subservient to Germany. In the Polish Ukraine the landlords, the officials and the bigger capitalists are Poles, but the Ukrainian *petite bourgeoisie* is large enough to take the lead in the nationalist movement.

In the Soviet Ukraine, on the other hand, both the landlords and the middle class have been eliminated, and a new kind of society has been created in which State officials have taken the place of the upper social strata of former times. This social order has given rise to conflicts of a new kind, but these are no longer definable in terms of nationality. It cannot be said that there is a struggle of Ukrainian against Russian comparable to that of Ukrainian against Pole. The Ukrainian Socialist Soviet Republic is one of the constituent republics of the Soviet Union, and the Ukrainian language is formally recognised as its proper speech. There is no persecution of Ukrainians as such in the Soviet Union, as there is in Poland, and the language question, which provided the Ukrainians with their principal grievance for half a century before 1917, is no longer an issue. There is, indeed, considerable unrest in the Soviet Ukraine, but it is not really separatist, and it is certainly not pro-German. The Ukrainians east of Galicia only remember the Germans as invaders who hanged peasants on portable gibbets and preserved the great landowners in their possessions at a time when the Bolsheviks were driving them out. What does undoubtedly exist in the Ukraine, and in much larger measure than in Russia proper, is anti-Stalinism, but opposition to Stalin is only equivalent to treason if one accepts the contention of the Stalinists that Stalin and the Soviet regime are identical. In a democracy, however, it is recognised that opposition to the Government in power does not necessarily involve treason to the State, and there is every reason to believe that, if the Soviet Union were a real democracy, what is called "Trotsky-Bukharinism" would express itself as a constitutional opposition in no way damaging to the unity and stability of the federal State. The Ukraine is a stronghold of opposition tendencies because the proportion of well-to-do peasants was much larger there than in Central Russia, and the crisis produced by Stalin's forced collectivisation policy was correspondingly more severe. To-day the collective farms are an accomplished fact, but the struggle has taken a new form; it is no longer between collective and individual farming but rather between bureaucratic and democratic tendencies within the collectives. That Stalin is well aware that the Ukraine is a focus of opposition to his dictatorship is shown by the special severity of the recent purge of its administration. According to a reliable account of the conspiracy against Stalin early in 1937, it was planned that General Petrovsky, a son of the President of the Ukraine Republic, should seize the Kremlin, and Ukrainian troops under General Dubovoi were to be rushed to Moscow. But it should be noted that there was no question of separating the Ukraine from the Soviet Union; the idea was to change the Government at the centre. The Soviet Ukraine is the part of the U.S.S.R. where genuinely democratic tendencies are strongest, but just for that reason it is the least suitable for Nazi penetration. Herr Hitler can find as many friends as he needs in the Polish Ukraine, but if he seeks them farther east he is more likely to be successful in Moscow itself than in Kiev.

Topics of the Week

Recruiting Ministers.—The Cabinet changes announced last week-end scarcely represent even the beginning of the remodelling of the Ministry that is now overdue. Admiral of the Fleet Lord Chatfield becomes Minister for the Co-ordination of Defence in place of Sir Thomas Inskip, who goes to the Dominions Office. At the Ministry of Agriculture Sir Reginald Dorman-Smith supersedes the unfortunate Mr Morrison who, as Chancellor of the Duchy of Lancaster, will represent Lord Chatfield in the Commons; and the late Chancellor of the Duchy, Lord Winterton, has left the Cabinet and accepted the unpaid office of Paymaster-General to concentrate on his work as chairman of the Inter-Governmental Committee for Refugees. Lord Strathcona, who has been Parliamentary Under-Secretary for War for over four years and was recently associated with a protest of certain junior Ministers against the lagged progress of re-armament, has been jettisoned, and his place is taken by Lord Munster, of whom little is known. Mr R. S. Hudson, Secretary of the Department of Overseas Trade, who was the leader of the junior Ministers' protest, offered his resignation, but it was not accepted. The most important changes were made in response to pressure. Dissatisfaction with the co-ordination of defence policy made the supersession of Sir Thomas Inskip inevitable many months ago. His successor has a high reputation in the Navy, and has just ended his work as chairman of the Committee on Indian Defence. His appointment suggests a development of strategic co-ordination between the defence services rather than the co-ordination of supplies and production between the defence departments which is still needed; in supply matters his experience is necessarily extremely limited. Sir Reginald Dorman-Smith, too, is a specialist. Virtually, his appointment is *ex officio*, since he is an ex-president of the National Farmers' Union whose outcries brought down Mr Morrison; and it remains to be seen whether the poacher can successfully turn gamekeeper. It has been the practice of the present Government to reply to criticism from time to time by playing a species of musical chairs with Ministries and Ministers and, since talent is not over-abundant in their ranks except among members who have lately given evidence of a muted discontent, the number of players available is now small. Moreover, it must not be forgotten that Lord Chatfield is now not only Minister for the Co-ordination of Defence, nor is Sir Reginald Dorman-Smith merely Minister of Agriculture. Both are also members of the Cabinet. The elevation of outside specialists direct to Cabinet rank must arouse misgivings. Either they will become influential in decisions on matters of which they have little knowledge. Or, more likely, the power of the Inner Cabinet will grow still greater. The constitutional implications of this tendency will bear close scrutiny.

Commons, Dictators and Spain.—Parliament re-assembled on Tuesday and the Commons' attention was turned at once to the diplomatic scene. The Prime Minister's statement of satisfaction with the recent frank talks he had had in Rome with Signor Mussolini was followed by a debate on Spain. Mr Chamberlain batted on a wicket that played much more easily than might have been expected a few days earlier. The German Fuehrer's moderate speech on Monday had at least dispelled fears of an immediate crisis, and the latest news about the progress of re-armament tended to confirm the view that the Government were at last achieving appreciable results. Moreover, the Prime Minister's stance was much firmer than it has been a few months before. Several of his sentences made it clear that the next move in the process of appeasement must be made by the dictators themselves. He was satisfied that the Duce had a deep desire for peace. He did not believe

that Herr Hitler was preparing to plunge Europe into another crisis. But a proposal from their side for the limitation of armaments would be welcomed as earnest that they were sincere. The keynote of the Government's case was still faith in the dictators' goodwill and, in particular, faith in their claims that they had no territorial ambitions whatsoever in Spain. Consequently, one-sided non-intervention in the form of refusing arms to the Spanish Government, and so ensuring General Franco's ultimate triumph, was justified as a contribution to world peace. Mr Chamberlain's critics were still not persuaded that Germany and Italy had paid a heavy price in men and materials merely for the altruistic object of extirpating a Bolshevik menace in Spain which both Nazis and Fascists knew very well did not exist. Perhaps the most significant statement made on Tuesday was the Prime Minister's revelation that Signor Mussolini had stated that the settlement of Italy's claims on France could not come until the Spanish war was over. Apparently the time for the true test of appeasement—and of both the Axis and Entente—is not yet quite ripe.

Relief in the Pyrenees.—During his speech, Mr Chamberlain touched on what he called "the humanitarian aspect" of the Spanish war, and revealed that the Government had paid over £40,000 to the International Commission for the assistance of child refugees from Spain. We hope, as the Prime Minister hinted, that there will be more to come; and that the measure will not be stinted. For the French Government, dealing less in fine phrases, have meanwhile admitted to their charity between 40,000 and 50,000 human lives. These people have struggled as best they could over snow-covered passes and mountain roads, suffering great privation, nursing their wounds and their weaker brothers, sleeping and living as they could until they had passed the frontier. Many more await their chance: and, much to their honour, there is no sign that the French will carp at the cost of taking them. Only able-bodied men of military age are being turned back, and some thousands who had crossed the frontier have since been sent again into Catalonia. To prepare for a Republican rout which may come whenever the Insurgents have pushed the line to breaking point, the French have stationed 50,000 troops between the sea and the boundary at Andorra: and they now face the contingency of standing to arms against the worn-out Republicans with whom their sympathies, especially after the sad scenes of refugee plight this week, must more than ever lie. From Barcelona come reports of food shortage somewhat mitigated by release from air raids: so far General Franco has shown no vindictiveness, but the promised trials, which are not yet begun, will show the real quality of his mercy. In southern Spain General Miaja has declared his intention of fighting on: and it is very evident that the war may easily continue for a number of months.

America and the Democracies.—Any doubts that may have remained in Europe about the rapidity with which American opinion on world affairs is changing should have been dispelled by the events of the past week. The crash of a new type of military bomber while undergoing tests in California last week revealed the presence on board of a member of a French Air Mission. The isolationists in Congress immediately demanded to know how it came about the representatives of a foreign power were testing one of the latest products of American aeronautical design. On inquiring further they discovered that the French Air Mission was not merely being allowed to place orders for military machines in the United States but positively encouraged to do so and

given exceptional assistance in pursuing its investigations. Foreign policy was here obviously involved and one of the celebrated Senatorial investigations was promptly set on foot. The Administration relied at first on the argument that it was an advantage to have the capacity of American factories occupied by foreign orders pending the coming programme of expansion of the United States' own Air Force. But Mr Roosevelt, with characteristic directness, was not content with this incomplete revelation of the purposes of his policy. He summoned the investigating Senators to the White House and told them in secret—according to reports so circumstantial, and so similar in different newspapers, that they must be believed in general, even though they may be inaccurate in detail—that the United States had a direct interest in strengthening the hands of Britain and France. Adopting Lord Baldwin's celebrated phrase that Britain's frontier is on the Rhine, he is reported to have declared that America's frontier was in France and that the United States must do everything short of actually declaring war and sending troops to support the democrats against the dictators. He is even reported to have declared that there were understandings with the British and French Governments for "definite commitments" in time of war. Only a few short months ago it would have been inconceivable that an American President should have made statements of this sort, even in secret. As it is, there is a shout of protest from all the isolationists and pacifists. There will be a sharp debate throughout America, but there can be no question that the President has a very large body of opinion, perhaps a majority, on his side. The howl of rage from Germany is even louder than from the Senate, and since the American people's antipathy to the dictatorships is currently stronger than their love for the democracies, the higher-pitched are Dr Goebbels' screams, the more is Mr Roosevelt likely to be pleased. He has, at the very least, openly stated a case in which increasing numbers of Americans are coming to believe. And at best he has changed the course of history.

M. Daladier and M. Bonnet.—Before the end of the long foreign policy debate in the French Chamber, M. Daladier and M. Bonnet both made verbally similar declarations of firmness towards Italy. They both rejected categorically the Italian demands at the expense of France, and declared that France would not yield a foot of territory anywhere. M. Daladier was heartily cheered in almost all quarters of the House; M. Bonnet was received tepidly save for the little knot of Flandinists. Why this different reception for declarations that were ostensibly identical? Because the Chamber felt sure that M. Daladier was speaking with complete sincerity, while it suspected that M. Bonnet's identical words were a screen for some tortuous policy of setting out to meet Signor Mussolini halfway—a journey which would probably not stop at its original destination. M. Bonnet has succeeded in making himself completely suspect at home and abroad, and his prestige has not been enhanced by a report that, in speaking with French journalists, he begged them not to reply in kind to the abuse of the Italian Press and remarked that, after all, Italy had been badly treated. This report, in one form, has been officially denied; but there are many who hold that, in a slightly different form, it is true. In any case, M. Bonnet is completely out of tune with the feelings not only of the country but of his own Cabinet colleagues, since all its recent actions have emphasised firmness rather than a search for compromise. Thus M. Daladier has been openly in consultation with his military advisers on the problems of the defence of France and the Empire against attacks coming from Italy or Spain. The Cabinet has decided to refrain for the present from accrediting a representative to General Franco (the "appeasing" move of accrediting a French Ambassador to the Italian Emperor of Ethiopia being taken, it is to be presumed, as a discouraging precedent). The collective responsibility of French cabinets is never as rigid as that of British

cabinets. But it would be an advantage to France if she could acquire a Foreign Minister who believes in French foreign policy.

Agriculture's "Square Deal."—It is apparent both from the fact of the appointment to the Ministry of Agriculture of last year's President of the National Farmers' Union and also from the terms of his first official speech in the Commons debate on Wednesday, that the Government are disposed to accept the Union's policy of "price insurance." Sir Reginald Dorman-Smith accepted a motion endorsing this policy and promised both the farmer and the farm labourer a "square deal." The precise terms of the farmers' square deal are as obscure as those of that other square deal that the railways have been pressing—and in the case of agriculture there is not merely a suspicion but a certainty that there will be an added burden for the community to bear. The Minister of Agriculture rightly rejected the notion that any system of guaranteed prices can be determined by "the cost of production of the efficient producer," and that is one point gained. The question now becomes virtually one of naming prices. Sir Reginald Dorman-Smith is not to be envied his task of finding prices which will satisfy the farmers while not costing the Exchequer more than it is prepared to find. But he must not be allowed to escape from the conjunction of this Scylla and Charybdis. Any attempt to slip out of the dilemma by artificial enhancement of prices would not in any way diminish the cost to the community of bearing the farmers' burden, but would merely distribute it in the most inequitable and regressive way. The policy of guaranteed prices or "price insurance" will be tolerable only if the cost is openly admitted and fairly assessed.

Progress in the Air.—It would be false to suppose that anxiety about the inferiority of Britain's striking power in the air compared with possible enemies has appreciably died down. It would be equally false to imagine that no progress is being made to make up the leeway. Complaints about retarding faults in the Government's central direction of the air programme still persist, and there is still no convincing evidence that a Minister of Supply could not cut several knots that still hamper progress. But the recent record none the less makes reassuring reading. Last year, it has been officially stated, the monthly output of machines was more than doubled. By May, 1940, claims the Prime Minister, the rate of production will be four times what it was two years before. The Air Estimates for the coming Budget year are likely to be ten times what they were in 1935, and, from all the statements made, it seems probable that the production of aircraft has been already raised to 400 a month, which it would probably be possible at least to double by continuous working and other speeding-up under actual war-time conditions. The initial difficulty of creating an expanded industry, equipping it with factories, artisans and tools and setting it in motion—a difficulty which, until 1937 at least, and in many respects until last year, was made greater by the Government's reluctance to recognise the full magnitude of their task—has been in considerable measure overcome. The shadow factories are widely at work, and the industry's labour force has been trebled in four years. This much is welcome news, but the deficiencies due to lack of foresight and resolution in the past, and to dilettante peace-time ways of designing, contracting and co-ordinating supplies and output which have not yet been wholly given up, have not yet been removed. The central need for safety and equality in diplomatic power is parity with Germany in the air, a need which the devoutly-to-be-wished-for agreement to limit arms could not ignore. And, though it is certain that the margin between present production and potential output in war-time is smaller in the Reich than in Britain, parity is not yet in close view.

National Service.—It is not yet possible to estimate the adequacy of the response to the call for recruits for National Service that was made last week. In general terms the flow of volunteers has been described as satisfactory by most local authorities, though there still seems to be a wide reluctance to join up as first-aid workers or local ambulance drivers. Car-owners are not anxious to put their property at the disposal of the authorities for defence purposes; and there are at least two other disquieting features about the events of the last ten days. In the first place, nation-wide publicity has been allowed to lag since the Prime Minister inaugurated the appeal for volunteers, and there is some danger that the immediacy of the present need will not be sufficiently stressed by local efforts. Secondly, there has been an unseemly scramble by some individuals and groups to secure inclusion in the list of reserved occupations. In the event it may well prove that the timing and publicity of the issue of such a very extensive provisional schedule of such occupations was inexpedient. A revised schedule is likely to appear very shortly. Perhaps it will then be possible for the people who have so far been troubled about the status of their jobs to devote more energy to the selection of the kind of National Service for which they are fitted—though the erroneous belief that membership of a reserved occupation absolves from all obligation to volunteer dies hard.

Civilian Defence.—Events are moving in the field of home defence. Sir John Anderson has notably shown signs of a desire, on the one hand, to speed up work in hand as much as possible and, on the other, to take the public into his confidence. A week ago, in a circular to local authorities, Sir John emphasised again the prime urgency of air-raid precautions, and the supervisory contacts of his department with local bodies are being steadily expanded. To the London Chambers of Commerce he has given an assurance that all interests affected by the Government's defence plans would be fully informed and consulted; and it has now been made quite clear that the plans so far announced are the first instalments of a wider and longer-term programme. In the case of evacuation, for instance, it is now known that the billeting scheme, which it is hoped to complete within a month, is only a first step, and that camps to supplement billets represent the next. In the case of shelters, too, there is evidence that previous piecemeal improvisations are being brought together in a more comprehensive scheme. On Thursday the report of three engineers chosen to advise Sir John Anderson on shelter policy was made public. First, the engineers agree with the Lord Privy Seal that the provision of a blast and splinter-proof shelter at, or in close proximity to, the home of every citizen is a sound policy, and they approve the supply of sectional steel shelters to cottage types of houses and two-storeyed terraced houses. In basement houses the same minimum protection can be given by propping the basements; but for tenements permanent trenches and subsidiary shelters, as well as considerable transfer of inhabitants, will be needed. These are, however, only first steps. The sectional shelter and its equivalents have their place in immediate short-term policy, but safer and more permanent brick and/or concrete pill-boxes are needed, as well as extensive communal shelters and trenches. The logical end of the engineers' argument is the ultimate provision of deep bomb-proof shelters, but they do not look that far ahead. Meanwhile, they call for the use of the resources of every suitable trade to the utmost extent and at the utmost speed to supply the shelters they advocate. Their plea will be universally echoed.

Helping the Czechs.—It is announced that Czecho-Slovakia is to receive from the French and British Governments a total sum of £16,000,000, made up by a loan of £8,000,000 guaranteed by those Governments, a British gift of £4,000,000 in cash, and a similar gift on the French part by relieving the Czechs of responsibility for the 1937-42 5 per cent. Czecho-Slovak loan

of 700 million francs. The necessary agreement was signed in London on January 27th, and on Wednesday a White Paper was issued with details of how the money would be apportioned. The British gift of £4,000,000 (remaining from the original advance of £10,000,000, three-fifths of which is to be repaid out of the new guaranteed loan) will be at the service of the Central Institute for Refugees in Prague, controlled by French and British representatives; and, from this, sums of £200 together with travelling expenses will be given to approved but penniless individuals or families who wish to emigrate. For would-be emigrants with money of their own, exchange transfers will also be made from crowns to currencies of the receiving countries. In recording the apportionment of this money, which morally is more a debt than a donation, we cannot help recalling Mr Chamberlain's announcement on October 3rd that the Government had received an appeal for a loan of £30,000,000, and that he believed "that the House will feel with the Government that this is an appeal which should meet with a sympathetic and even a generous response." The advance of £10,000,000 was, indeed, generally interpreted at that time as virtually a gift, instead of which it now appears that only £4,000,000 is being given. It is a poor excuse that "the money would go straight to Germany": for it need not, and in this case it will not. And if the cash does go indirectly to Germany, are the plundered Czechs to blame? "He who gives quickly," commented the Prime Minister, "gives twice." He who gives after prolonged negotiations, it would appear, gives two-fifths.

Poland Going "Back to France"?—The fear that the official visit to Warsaw last week of Herr von Ribbentrop, the German Foreign Minister, might upset Poland's "policy of equilibrium" in Eastern Europe proved to be at least premature. Nothing, apparently, was said during the visit about a fundamental change in Poland's treaty relations with France, Roumania or the Soviet Union. Germany has always been far better informed than the Western Powers about Polish internal affairs and about Polish susceptibilities, and if Herr von Ribbentrop had made the mistake of asking the leaders of Poland to choose between abandoning the alliance with France or the pact of non-aggression with Germany, he would greatly have strengthened the "back to France" sentiment which is now, too late, clearly emerging from the confusion of the last few months. Herr Hitler's speech before the Reichstag showed clearly why Germany has lately wished to show her "friendship" for Poland. Until Germany has recovered her colonies and obtained "full satisfaction" for Italy the situation in Eastern Europe is to be regarded as stabilised; but that is no reason why the Polish Government should regard with complacency the aggrandisement of Germany and Italy at the expense of Britain and France—even if it brought some compensating advantages to

EQUITY & LAW LIFE ASSURANCE SOCIETY

All Classes of Life Assurance transacted

- Death Duty Policies at low rates
- Endowment Assurance with Profits
- Family Provision Scheme

For full particulars apply to the Manager:

20 Lincoln's Inn Fields, London, W.C.2
Established 1844 Funds exceed £29,000,000

Poland in the so-called colonial sphere. Those Polish newspapers which are given a certain latitude in writing about international affairs now regard with the deepest suspicion recent German moves in Danzig and Lithuania and the refusal of Germany to allow Hungary to annex the Ruthenian province of Czecho-Slovakia. The view is now at last to be heard that, as soon as Germany and Italy have obtained "satisfaction" on the colonial question, an arrangement would be made with Britain and France that would leave Germany free to "organise" Eastern and South-Eastern Europe by the wholesale application of the ethnographic principle: in other words, the self-determination which Poland herself invoked less than six months ago in the case of Czecho-Slovakia. Pro-German publicists have been brought down to earth by Germany's Ruthenian policy; and the Poles are now, in fact, alarmed at the rôle which a Germany strengthened by colonies and a pact with Britain and France might assign to an isolated Poland in the "organisation" of Eastern Europe. The official attitude will no doubt continue to be to press forward vigorously with the defence programme and to await developments in the West; and internal politics are now completely dominated by home defence and international affairs. The new Parliament has made no move towards electoral reform, and this important question seems to be indefinitely shelved.

Japan in Difficulties.—The fall of Hankow has not meant the end of Japan's difficulties. In their desperate search for a respectable Chinese figure-head for a "puppet" Government in the parts of China now under their military occupation, the Japanese militarists have tried to round up Marshal Wu Pei-fu, who was one of the most respectable of the Northern Chinese war-lords of the pre-Kuomintang era. Since his smashing defeat by General Chiang Kai-shek in the Kuomintang's northern expedition in 1926, Marshal Wu Pei-fu has been in retirement, placidly reading the classics and writing poetry, unmolested by the Kuomintang regime. No doubt he has found this life more agreeable than the agitated career of a Chinese war-lord; and he is now exerting himself with adroitness and success to avoid the dismal fate of being thrust by the Japanese into the still more unenviable rôle of a Japanese stalking-horse. Determined attempts to collar him have been eluded by the Marshal, who, knowing his worth, is stiffening his terms as the Japanese repeat theirs. He wants an army of 400,000 men and partial evacuation of occupied territory. He is willing to declare himself anti-Communist but not, it appears, anti-Chungking. In the art of diplomatic fencing the Chinese can beat the Japanese any day.

More serious for Japan is the announcement at Moscow that the fishing grounds in the Far Eastern territorial waters of the Soviet Union are to be let by tender or by auction on March 15th next. The Japanese claim that they have a prescriptive right to the lease; but it is hard to see on what ground the claim is based; and it is preposterous that a country which has entered into a triangular "anti-Comintern" pact with Germany and Italy should demand, as of right, to obtain her food supply by the good will of the very country against whom that pact is directed. To withhold the fishing lease from Japan is an obvious retort for Russia to make; and it is a *riposte* that will touch Japan in a vulnerable spot; for fish is an important part of the Japanese people's staple diet, and the Soviet fishing grounds have hitherto been one of Japan's main sources of fish supplies. It is only by such lessons as this that the subjects of aggressive governments can be taught that, in

BRITANNIC ASSURANCE COMPANY LIMITED

(Established 1866)

Annual Income - - - - £6,700,000
Assets - - - - - £31,000,000

All classes of Life, Fire, Accident,
Motor and General Insurances transacted

Chief Office: BROAD ST. CORNER, BIRMINGHAM, 1

the long run, aggression does not pay, and that, if they want a tolerable life for themselves, they must compel their governments to adopt less anti-social foreign policies.

The Palestine Conference Meets.—On Tuesday the long-awaited Palestine Conference assembled within the calm of St. James's Palace. Since last week-end the delegates have been arriving, and by mid-week all had come except the Nashashibis and stray members of the Jewish camp. It is a great chance. The rival Jews and Arabs will confront each other in a strictly neutral atmosphere, and what they say and the way they say it will be noted not only at second-hand by an interested world, but directly and personally by representatives of the four Near Eastern kings, of Egypt, Iraq, Saudi Arabia, and the Yemen. The Jews are here in strength. Their delegation is headed by Dr Weizman; and to strengthen counsel they have arranged for a conference committee of 35 leading Jews of several nationalities to be at hand. Among those who matter, only the Mufti is absent: yet he is represented by six delegates and an advisory council. The anti-Mufti faction of the Palestine Arabs is, after all, to be represented by three delegates, and though the Mufti has apparently not agreed to this, his opponents have rather adroitly promised, if he retires in dudgeon, to withdraw themselves, and accept any solution agreed to by the Arab Kings. There are two indispensable conditions of success: that there should be a willingness to listen to hard words, and that there should be a genuine intention in all present of coming to terms. Each of the delegates and the Mufti, too, knows that the British Government must impose its own terms if negotiations fail: and to that extent the Conference is overshadowed by the unquestionable need of British Imperial policy to make peace in Palestine. It will help the Conference towards success if the Arabs, for whom the problem is confined to Palestine, will try to understand that need; and if the Jews, on their side, will use this opportunity of achieving a better grasp of the Arab temperament than they have shown themselves to possess in the past. On Mr MacDonald falls the task of ensuring that the negotiations do not stick over trivialities: he will need skill and patience, but above all he will need the firm bearing which comes of a decided mind. It will be bad if the Conference fails; but it will be disastrous if, after it, the Government fails too.

A Defeat for Mr Gandhi.—That Mr Subhas Bose, who has been a leading figure in Indian politics for many years, should have been re-elected President of the National Congress in preference to Dr Pattabhai Sitaramayya, whose name is scarcely known outside India, would not in itself be surprising. But everyone concerned agrees that the election stood for something much deeper than personal rivalries—a victory of the Left Wing of the Congress against the upper hierarchy who take their leadership from Mr Gandhi. To-day, Mr Gandhi is the leading moderate in Congress politics, and about him is a group of men who, on the critical issue of federation, believe (though they do not always state in public) that relatively small changes would make it acceptable to Indian nationalists as a path to complete self-government. This moderate wing has hitherto been successful in every major trial of strength within the Congress during the past two years. If the election of Mr Bose means its supersession in power, then the path of the British Administration in bringing about federation peacefully will become far more hazardous. But the occasion may mean more: it may mean, not so much a trend of the Congress as a whole, as its division into two camps. This would be an entirely healthy development, not only from the standpoint of British policy, but also from that of Indian democracy, which has been in danger of succumbing to the totalitarian idea, so long fostered by the Congress, and especially by Mr Gandhi, of a single national party containing people of widely varying political and economic creeds.

Scotland's Dilemma.—Scotland's economic condition presents a real problem. Her heavy manufacturing industries, admirably fitted for armament production, expanded during the war; but when the war ended and the special demand fell away, she was left with an industrial structure that was unbalanced and in certain directions over-capitalised. With the contraction of former export markets, the heavy iron and steel, engineering, shipbuilding and coal industries found themselves handicapped by burdensome overhead expenses, and they inevitably declined. Nor has the present re-armament programme brought even temporary recovery. Exports of iron and steel manufactures in 1937 were only 60 per cent. of the 1929 figure, and last year unemployment in the industry rose from 3,425 to 6,293. Between 1937 and 1938 unemployment in general engineering rose from 5,585 to 9,143. The coal industry now employs only 85,000 hands, as compared with 141,000 in 1929, and exports of Scottish coal have declined from 13,353,000 tons in 1913 to 7,287,000 tons in 1937 and to only 2,786,000 tons in the January-June period of 1938. In the shipbuilding industry unemployment stands at the high rate of 21 per cent. Unemployment as a whole rose 24,500 last year to almost a quarter of a million. These are a few of the distressing facts contained in the Report, "Scotland's Industrial Future," published this week by the Scottish Economic Committee. The task of solving this

problem is formidable, and the Committee has clearly found itself on the horns of a dilemma. The only real and lasting prosperity that can be achieved within a reasonable period by an industrial country so dependent on export trade as is Scotland is a revival of world trade; and the Committee, while recognising the need for fulfilling defence orders at the present time, regrets that this will tend to distract attention from the real solution and still further concentrate activity in production which will slump when the emergency demand for arms is satisfied. Yet Scotland's industry cannot wait upon world peace and the lowering of trade barriers. And at the risk of diverting capital and labour into production for which, in normal times, Scotland is not so well fitted, the Committee recommends measures designed to broaden the basis of Scotland's economic life and encourage the development of new light industries. The Committee goes further. Without displaying any predisposition in favour of State control, it reaches the frank conclusion that as things are at present, with the Government intervening to regulate industry in many spheres, Scotland must have State assistance in her time of need. The Committee therefore advocates the appointment by statute of a Planning Authority to direct the country's economic life with the object of achieving a sounder balance between the heavy and the light industries and of alleviating unemployment. It is not a very hopeful Report.

Overseas Correspondence

From Our Special Correspondents

United States

A Credit Cycle?

NEW YORK, January 20.—Since our economy is at the moment marking time, there is justification for reviewing the cyclical data of recent months. In a condensed sketch of this sort refinements of dating must be sacrificed, and, in any case, it is always questionable, as Aristotle remarked, whether one should purport to be precise in fields where actual precision does not exist. The top of the cycle came at about the end of the first quarter of 1937; its bottom was somewhere in the second quarter of 1938. For convenience, April will serve for the 1937 top and June for the 1938 bottom. In the following table, whenever there is a choice between seasonally adjusted data and data without adjustment, the latter is employed (except in the case of department store sales). Cyclical peaks

CYCLICAL DATA

	April, 1937	June, 1938	Nov., 1938
Index of manufactures	125	75	103
Index of residential building contracts	51	46(a)	52
Index of non-residential building contracts	68	76(a)	101
Factory employment (b)	109	82	91
Factory payrolls (b)	109	71	84
Freight car loadings	79	58	70
Department store sales (c)	93	82	89
B.L.S. Index of Commodity Prices	88	78	78
B.L.S. Index of Farm Products	92	69	68
Total loans, Reporting Member Banks	9,428 million	8,321 million	8,317 million
Total investments, Reporting Member Banks (h)	12,774 "	12,240 "	13,008 "
Demand deposits, Reporting Member Banks	15,388 "	15,036(g)	16,013 "
Debits	37,133 "	35,501 "	32,166 "
Sterling exchange	\$4.92	\$4.96	\$4.71
Index of share market (e)	125	73	95
Yield on long - Government bonds (d)	2.74%	2.52%	2.50%
Yield on 3-5 year Treasury notes	1.59%	.67%	.71%
Yield on currency in circulation (f)	4,919 million	4,837 million	5,096 million
Merchandise exports	269	223	252
Merchandise imports	287	146	176

(a) For January, 1938, residential building 22, other building 59. (b) Employment dropped to 82 and payrolls to 71 in June, 1938. (c) Exception: adjusted for seasonal. (d) Average, all issues over 12 years. (e) Standard Statistics Co. 420 common stocks. (f) Coin and currency under \$50 denomination. (g) At end of March, 1938, \$14,268,000,000. (h) Investments in nation. (i) At end of March, 1938, \$14,268,000,000. Total loans and investments fell from January, 1937, were \$13,736 millions. Total loans and investments fell from \$22,734 millions in January, 1937, to \$22,202 at end of April.

commonly coincide with strong seasonal influences and cyclical bottoms with weak seasonal influences.

On the whole, these data give the impression of a credit cycle. Between September, 1937, and the end of April, 1937, the reporting member banks reduced their holdings of Government obligations from \$9,930 millions to \$8,370 millions, while in the same time the "public debt publicly offered" increased from \$33,088 millions to \$34,295 millions. That is, in six or seven months, the market was called on to absorb about \$1,200 millions of new Treasury offerings plus \$1,500 millions of Treasury securities disposed of by the reporting member banks.

No doubt the motivating forces of any cyclical movement are numerous and complex. But it seems questionable whether the emphasis (as is done officially) should be put almost exclusively on the cessation or diminution of the spending programme. On the whole, the data suggests that it was a credit phenomenon, with its initial impact on the capital market; and that a major factor was the strain on the capital market involved in an attempt to absorb simultaneously large new offerings by the Treasury and large sales of Treasury securities by the reporting member banks.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

(Incorporated with Limited Liability under the Laws of the U.S.A.)

HEAD OFFICE:

PINE STREET CORNER OF NASSAU, NEW YORK

THE CHASE BANKING ORGANISATION HAS OFFICES IN:

PARIS, HAVANA, SAN JUAN-PORTO RICO, PANAMA, CRISTOBAL, COLON, HONGKONG, SHANGHAI AND TIENTSIN

AND SPECIAL REPRESENTATIVES IN:

BERLIN, ROME AND MEXICO CITY

CORRESPONDENTS THROUGHOUT THE WORLD

London Branches:

6 LOMBARD STREET, E.C.3

51 BERKELEY SQUARE, W.1

BUSH HOUSE, ALDWYCH, W.C.2

Also: The Chase National Executors & Trustees Corporation, Ltd., 6 Lombard Street, E.C.3

Exemption from Taxes

The personal income tax was established in the United States during the administration of President Wilson, by authority of a Constitutional Amendment authorising the levy on income "from whatever source derived." Yet, from the first, it was successfully maintained in the courts that income derived from employment by a State or municipality or income derived from the interest on State and municipal obligations was exempt from income tax. Every President since Mr Wilson—Messrs Harding, Coolidge and Hoover, as well as Mr Roosevelt—has protested against this exception; so, too, have the last three Secretaries of the Treasury, Messrs Mellon, Mills and Morgenthau. But, for all that time, every obligation issued by the Federal Treasury itself has been wholly or partially exempt from taxes.

Last year approximately \$3,000 millions of new securities were offered in our markets, Federal, local government and corporate, and of these about \$2,000 millions were wholly or partially tax-exempt. In most recent years this ratio would have been as high or higher. Indeed, given the existing surtax rates and the availability of tax-exempt securities, one could make the generalisation that no person in the higher income grades could afford to invest in corporate enterprise, whether shares or obligations. No return that any well-protected corporate security could offer could yield a return after the deduction of taxes competitive with the return on tax-exempt securities, even with yields on such securities at their current low levels.

Risk-Capital Wanted

There was a market for corporate obligations of institutional rating among institutional investors. There was a market for tax-exempts among wealthy individuals and institutions.* But such market as there was for second-rate investments or for hazard capital was limited to individuals of modest fortune; and the resources of these small capitalists (even swollen by the flow of capital from Europe) was, it would seem, barely able to absorb the liquidation of estates, or of wealthy individuals flying from the liability of investment in corporate enterprise. The limits of the risk-capital market are illustrated by the fact that, in 1938, the public issue of equity capital amounted to only \$17 millions. And, of all stocks, ordinary and preferred accounted for less than \$100 millions. It is true that 1938 was a bad year for the issue of risk-capital securities; but it is illustrative (even if a somewhat exaggerated illustration) of the period since (a) high surtaxes were imposed and (b) tax-exempts became available in quantity.

The net conclusion is that the type of capital most capable of appraising and bearing the risks of enterprise has been driven or is being driven by taxation, or by tax differentials, into supposititiously riskless investment. Risk capital has been sought, of necessity, only from those less capable of bearing or appraising risks; and these have either been too poor or too cautious to provide the amount of risk-capital that our economy requires.

Of the two alternatives to remedy this—the reduction of surtaxes or the removal of tax-exemption—the Administration has chosen the latter. It would seem, from the testimony offered before the Congressional Committee, that it was moved by two motives—(a) to secure revenue and (b) to remove a differential attraction that was deflecting capital from investment in corporate enterprise. It would appear that the latter was the more immediate cause of the removal. The President stated in his annual Message that the immediate object of statesmanship was to bring idle capital and idle men together, and the removal of tax-exemption would, to a degree, work immediately in that direction. As the proposal to abolish tax-exemption is not retroactive, but applies only to future issues, its influence on Federal revenue would be felt only as the public debt (Federal and local) increases, or as existing issues mature and are refunded.

Playing for Safety

In a general discussion of the supply of capital to enterprise, however, at least two other considerations may be taken into account. Even if tax exemption were removed, the high surtaxes would remain. There would still be the question whether the hazards of risk-investment would support the current level of surtaxes. Capitalists are, as Burke said, "calculators, economists and sophists," and it is at least open to question whether the calculating capitalist in the higher income grades (and one must suppose that a capitalist in the higher brackets is either a calculator or employs a

calculator) will invest in that portion of the economy which is most obviously deficient in capital—i.e. that most loaded with economic risk—and face the handicap of existing surtaxes and taxes on capital gains.

Secondly, there is a good deal of evidence that investors, small and large, have been profoundly shaken by the vicissitudes of the past decade. What Mr Keynes would call the liquidity preference, and American commentators would call the suspicion, of Wall Street, what Wall Street would call generically "lack of confidence," and what the man in the street (or his wife) would call simply "playing safe," has made thousands of American investors disinclined to keep their savings in any form but cash.

France

After the Berlin Speech

PARIS, February 2.—The speech of Herr Hitler was received with some relief, because the Fuehrer did not give categorical support to the Italian colonial claims. The general opinion now is that Germany, hampered by her own economic difficulties, is not ready to follow Italy in any fresh adventure, and that the Nazi colonial claims are made mainly with a view to being given new markets for German exports. Herr Hitler's pronouncements are therefore taken in conjunction with the suggestion of M. Daladier that an international conference should be summoned for the purpose of solving Europe's problems, by discussing the limitation of armaments and world economic collaboration. Such a conference should be backed by Mr Roosevelt, and the Jewish problem would be a foremost item on its agenda.

The annual report of the Bank of France emphasises that the franc has been virtually stabilised against sterling since last May, forward rates being often quoted at par. During the international crisis of September there was no flight of capital, but since the Franco-Italian crisis the flight has been resumed. Working hours have been increased; the rate of interest is falling; prices are low; and unemployment is falling. The revival of business is on its way.

"With the hundred tons of gold we have recovered in the last three months," M. Reynaud has said, "we could buy 5,000 aeroplanes abroad." And the Minister of Finance added that the surplus of deposits over withdrawals in the savings banks since the beginning of 1939 amounted to 1,150 million francs, against 410 millions in the same period of 1938. The Bourse has been firm since October, while other stock exchanges have been weak. The Treasury has covered needs amounting to 12,000 million francs since October 27th without difficulty. The index of production has risen by 6 points in two months, and unemployment is actually falling two weeks before the seasonal recovery of February normally sets in. The third week of January showed a fall of 1,036 in the number of persons out of work and the fourth week a further fall of 881. The fourth week of January, 1938, saw an increase of 6,516; in January, 1937, the increase was 3,232; in 1936, 5,262; and in 1935, 10,763. M. Reynaud's optimism was followed by a strong recovery on the Bourse, which had been pleasantly surprised by the "leniency" of Herr Hitler's speech.

Colonial Development

The interest which the French public has begun to show in the Empire since the recent Italian claims is growing daily. The Government, aided by the Press, loses no opportunity to exploit this revival of interest. The National Economic Council is preparing a plan of production in France and the colonies to regulate trade between them in such a way as to reduce France's dependence on foreign imports, especially of foodstuffs, and to co-ordinate better French and colonial economic activities, which are too often the same, particularly in the sphere of agriculture. The objective, the Minister of Economics says, is to prevent competition between France and the colonies and to make their economies complementary.

On January 1st the tonnage of ships under construction in French yards (excluding naval building) was 89,825 tons, made up by 13 ships, against 69,330 tons and nine ships a year ago. World tonnage under construction on the same date was 2,668,864 tons, against 2,900,000 on January 1, 1938.

French shipbuilding is thus going ahead while world construction is falling back. Nevertheless, France is still only in ninth place among shipbuilding countries, and the French mercantile marine is smaller than it was in 1914. Longer

hours of work and special cheap credit will no doubt aid the recovery of French shipping; a first instalment of 100,000 tons will begin building almost at once.

Wholesale prices are continuing their upward movement:

	Dec. 31	Jan. 7	Jan. 14	Jan. 21	Jan. 28
General Index :	666	669	671	671	676
Domestic products	692	696	698	697	705
Imported products	620	620	621	625	624
Foodstuffs	648	652	657	655	656
Industrial products	682	685	683	686	693

In the week ended January 21st the number of persons unemployed was 414,688, against 415,568 on January 14th and 399,728 a year ago.

Germany

Nazi Economic Policy

BERLIN, January 30.—The business and financial policy of the Nazi regime during the last six years has led to the setting up of a complete war economy, in which man-power, factories, material and money have been placed entirely at the service of the State, while Government orders have made demands upon industry in excess of its capacity. Production for export and to supply domestic needs has been neglected. This policy has led to shortages of labour and materials, disturbances in foreign trade, the rationing of the domestic market and signs of disorder in production and transport. Merely commercial considerations of profit have been widely disregarded.

In no single year while this has been going on has the Third Reich been able to balance its Budget. Although tax receipts rose from Rm. 6,650 millions in the fiscal year 1932-33 to about Rm. 17,000 millions in the current fiscal year, Reich debts, according to official figures, have increased by Rm. 25,680 millions. Authoritative estimates recently put the entire public debt at Rm. 50,000 millions, which means that the debt has been doubled in the last six years. Since 1935 the Reich has issued loans of Rm. 15,000 millions. During the same period the value of industrial and agricultural production rose from Rm. 46,500 millions to about Rm. 100,000 millions in 1938, though the increase was mainly in unproductive capital goods. Credit expansion, allied to the wide discrepancy between the output of capital goods and the output of consumers' goods, made necessary a rigid system of quotas and price control. The index of wholesale prices rose from 64.8 in April, 1933, to 75.5 in October, 1938, and the index of the cost of living from 76.5 to 82.3.

Financial Difficulties

In May, 1938, Dr Schacht began a system of financing by means of delivery certificates: the limit of industrial capacity was reached, and production could not be increased sufficiently to cover this expansion of credit. The political events of the last year led to a much larger issue of delivery certificates than could be redeemed by current receipts or consolidated through Reich loans. This in turn resulted in an accumulation of payments due, which led to the present financial crisis and to the change in the direction of the Reichsbank.

The existing financial position of the Government is also marked by the fact that, quite apart from the payments due on account of delivery certificates, the current demand for money is extremely heavy and out of all proportion to the inflow of taxes. In addition, industry is itself in need of capital. The situation is further illustrated by the fact that, in addition to the increased debt, the means of payment in circulation has risen to Rm. 10,400 millions, of which Rm. 8,605 millions are notes, against Rm. 3,562 millions of notes at the end of 1934.

Herr Hitler has refused to increase taxes to relieve the monetary strain. The task of the new Reichsbank president, Herr Funk, is to find measures to tide over the difficulties temporarily. He is to keep wages, prices and the currency stable, and at the same time he is expected to open the capital market to private business. He will have to extend the short-term and medium-term debts which are now falling due; and although the Government's building programme, and, for a limited period, the armament programme also, have been curtailed, he will have to find new means of financing large-scale State projects in advance. No decision has yet been made about how he proposes to do this; but it may be anticipated that short-term or medium-term State paper not

bearing interest will be created, and these may be used for later tax payments. Such bills would stand somewhere between the present Treasury certificates and the earlier tax coupons. Possibly the system of financing projects by means of bills or Treasury certificates may be retained; but there is the danger that the Reichsbank may be forced too quickly to rediscount these instruments, which might result in an appreciable increase in the monetary circulation.

For the future Herr Funk plans a settlement of the foreign debt question. He is of the opinion that the danger of a flight of capital will no longer exist after the problem of Jewish emigration from Germany has been solved, and that the present foreign exchange regulations can then be relaxed. This relaxation would be an important pre-requisite for the return of confidence on the part of foreign capital. Herr Funk hopes that then, as formerly, international credit would be freely granted to Germany.

Export Prospects

The former German colony of Tanganyika still plays an important part in the provision of Germany's raw materials. The distribution of Tanganyika's trade gives the following picture:—

	Imports		Exports	
	1936	1937	1936	1937
	%	%	%	%
England	23.8	21.7	29	24.2
Rest of Empire...	17	17.9	31.4	41.6
Germany	14.8	13.9	6.5	8.2
Japan	24.4	24.7	2.1	0.2
United States ...	6.8	6.7	6.2	3.8
Holland	1.4	2.4	2.9	3.5

The Reich complains that the open-door policy is in fact not applied. In 1929 Germany's share of Tanganyika's imports was 12.2 per cent; in 1930 it was only 7.6 per cent.; but in 1937 it was 13.9 per cent.

Exports of artificial silk showed a decrease in 1938 of 44 per cent. compared with 1937. This fall is due not only to diminished purchasing power abroad, but also in large part to higher domestic demand, since the supply of foreign raw materials for the textile industry has been insufficient, as a result of restrictions on imports.

ARTIFICIAL SILK EXPORTS

	1935	1936	1937	1938
Million Kg. ...	5.4	8.7	6.7	3.9
Million Rm. ...	20.4	29.3	25.5	14.5

The falling-off represents a serious loss in foreign exchange, and some increase in exports of artificial silk is imperative. German producers of viscous and copper artificial silk long ago agreed to refrain from mutual competition in the export business, and they now have an understanding with the Italian producers about the Hungarian market. This system of agreements is to be extended.

TRADE WITH BALTIC COUNTRIES
(In million Rm.)

	1933	1936	1937	1938 (Jan.-Oct.)
German Imports from :				
Poland (Danzig)	77.1	74	80.7	107
Lithuania (Memel)	22.1	9.1	17.2	22.4
Latvia	17.5	33.2	45.7	35.1
Soviet Union	194.1	93.2	65.1	...
Finland	37.2	46.1	70.1	74.4
Estonia	8.4	13.8	23.7	18.9
Sweden	102.6	191.7	231.9	...
Denmark	104.4	154.3	157.7	...
German Exports to :				
Poland (Danzig)	82.4	73.9	99.7	130.7
Lithuania (Memel)	19.7	7.3	20.5	19.8
Latvia	17.2	31.2	28.4	36.3
Soviet Union	282.2	126.1	117.4	...
Finland	44.2	53.6	78.2	70
Estonia	7.1	17.6	19.9	18.7
Sweden	191.1	230.4	277.3	...
Denmark	144.7	182.3	212.7	...

The OCEAN

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

FOR ALL CLASSES OF INSURANCE

* Treasury Bonds are not exempt from surtaxes on individuals. Notes and bills are fully exempt from all income tax.

German trade with countries bordering on the Baltic has been greatly increased, although Germany has had to face strong British competition. This competition was all the stronger because Britain had come to an agreement with the Baltic countries about sales of coal. In 1937 England delivered 12½ million tons of coal and coke to these countries, while Germany, which as far as freight is concerned is in a more favourable position, was only able to deliver 4 million tons. England was the chief purchaser from nearly all these countries; and was also the chief supplier except in the case of Poland, Sweden, Latvia and Estonia, where Germany was the leading exporter. Last year, however, a noticeable change in favour of the Reich was evident, as the previous table shows. Here, as in certain parts of South America, German traders are making considerable headway.

Eire

Agricultural Overhaul

DUBLIN, January 28.—The Minister for Agriculture has appointed a well-chosen Commission "to consider and make recommendations as to the measures which might be practicable for the purpose of promoting and maintaining increased agricultural production." The chairman of the Commission is Professor Smiddy, who has much experience in handling economic problems. Professor Smiddy resigned the Chair of Economics in University College, Cork, to act as the first Irish Minister in Washington, and he has also served as High Commissioner in London. He was chairman of the Fiscal Inquiry Committee of 1924 and was a member of the Tariff Commission. Under his able guidance the new Commission on Agriculture will doubtless make rapid progress, and will contribute advice of value on the most central problem of Irish economic life, the revival of the prosperity of the farming community.

It is generally agreed that, at least for the present, the only export outlet open to Irish farm produce is the British market, and the main task that confronts the Commission is to consider how the requirements of the market can best be met. The first relevant factor is the probable trend of future demand for food in Great Britain, and in this connection, the development of a national nutrition policy and the rising standard of living must not be overlooked. The trend of demand is moving in favour of animal foodstuffs, and it is for the production of these that Ireland luckily enjoys a high degree of natural advantage. There are certain products, however, which the British farmer will supply, such as, for example, liquid milk and vegetables, and there is no hope of developing an export trade in these commodities. This limits the field to live animals, meat and dairy products, and it is on the intensification of the production of this group of foodstuffs that the future prosperity of Irish agriculture depends.

These articles, unfortunately, are the object of much overseas competition from Denmark, New Zealand and elsewhere. Butter, for example, cannot be produced as cheaply in Ireland as in New Zealand. If, however, the whole group of mixed dairy farming products be regarded for the purposes of export as a single commodity, they can be produced profitably as a whole, even if some of the joint products are doomed to be sold at a loss. It may be necessary to set up trading bodies of a public or quasi-public kind to handle dairy exports and to operate levy and subsidy schemes to maintain the export of the unprofitable commodities. Behind these marketing problems there are the deeper problems of the cost of production on the land; and difficult technical matters relating to the breeding and feeding of livestock and to the increase of fertility of the soil will engage the attention of the experts on the Commission.

One of the most important technical problems will arise in connection with winter dairying. At present, milch cows in

Ireland suffer from starvation during part of the year with very adverse results on their annual milk yield. Opinions differ regarding the respective merits of hay, dried grass, forage crops, imported cereals and tillage as winter feed. The increase in milk yields to the Danish level is not desirable because Irish farmers must always breed for the dual purpose of milk and meat and also because it is thought that very high yields weaken the resistance of cattle to disease. The proper utilisation of grass lands in the light of new techniques is very important, and the provision of subsidised fertilisers for pasture land will probably figure among the Commission's recommendations.

On the financial side, there is general agreement that adequate supplies of capital and credit must be rendered available for the introduction of improved methods. Such facilities, however, should not be provided until the technical problems of production have been exhaustively investigated, and the Government's agricultural policy decided. The provision of credit in a period of depression and uncertainty is injurious rather than beneficial, as it involves farmers in unproductive debt which is a millstone round their necks. It may, of course, be necessary to afford some temporary relief from burdens which the industry finds unduly onerous; but it is all-important, clearly, to distinguish between short-period relief and long-period reconstruction.

New Zealand

Government Under Fire

CHRISTCHURCH, December 22.—It has long been said that the real test of the Labour Government's policy in New Zealand would come only when prices fell. No Government has enjoyed more favourable conditions than the one that came into power in 1935, and probably none has succeeded in creating so many difficulties for itself in so short a time. In the two years that followed its election, export prices rose rapidly, and the national income grew. The Government extended social services lavishly; raised wages; reduced hours of work; increased State control over industry and trade; promoted public works to make up ground lost during the depression and to absorb the unemployed; and converted the new Reserve Bank into a State institution. Now the testing time has come.

Few countries are more dependent than New Zealand on overseas trade. Normally the Dominion exports about 45 per cent. of its total production and relies on export receipts for about 45 per cent. of its income. Few countries are less well fitted for insulation or for any marked departure from the levels of costs obtaining amongst competitive producers throughout the world. Yet, almost all the Labour Government's legislation, which aimed at social reform and the redistribution of income, resulted in increased costs. Up to the end of 1937 these increases were covered by the more rapid rise in export prices and income.

Between 1935 and 1937 export prices rose by 40 per cent.; export receipts by 50 per cent.; and aggregate private income by 45 per cent. Between 1935 and 1938 the yield of tax revenue (including employment taxes) increased by 45 per cent. Over the same three years, average weekly wages rose by 25 per cent. and, if allowance is made for the reduction of the working week to 40 hours, hourly wages probably increased by 35 per cent. The rapid increase in labour costs retarded the expansion of private enterprise and the absorption of the unemployed in productive private industry, and public works were begun on an extravagant scale, many of which could be justified only as relief works. Some of these were financed from revenue, from the proceeds of employment and highway taxes, but the cost of the greater part was met by borrowing.

It happened that reserves accumulated during the early period of recovery were available, money was abundant, and interest rates were low. In 1936 to 1937 the Government borrowed most of what it needed from public departments, and no substantial appeal to the public was required. For short loans against revenue to come, the Reserve Bank was available, its rates were low, and Treasury bills were redeemed as revenue came in.

Drastic Steps

In the year ended January, 1938, exports reached £NZ67 millions, £NZ10 millions more than in the highest pre-depression year. In addition, the Government borrowed £NZ7½ millions in 1937-38 for expenditure on public works

and proposed to increase its borrowing to £NZ14 millions in 1938-39. In these conditions the note issue expanded, internal trade was prosperous, and imports reached a peak of £NZ58 millions in the year ended April, 1938. But, in the 1937-38 export season, wool prices fell, though the prices of dairy produce rose, and total exports were only £NZ3 millions less than in the previous year.

The opening of the 1938-39 export season saw the prices of wool, lamb and dairy produce at still lower levels. Moreover, much labour had been attracted from the farms to public works, fertiliser sales had fallen off, and the production of dairy produce, lamb and other farm products was tending to decline. Hence exports were lower both in price and quantity. In the year ended October 31, 1938, they amounted to £NZ58.8 millions, a total still well above the pre-depression normal. Imports, stimulated by internal expenditure, which was still high, amounted to £NZ55.4 millions for the same year. This left a surplus of only £NZ3.4 millions, whereas about £NZ10 millions is required to meet normal payments for interest, etc., due abroad.

In consequence sterling funds were drawn on to meet the balance of about £NZ6.6 millions; and they were further drawn on for the usual seasonal passive balance in the second half of the year, perhaps amounting to another £NZ6 millions. The social security plan and the general election which returned Labour to power in October, 1938, accelerated the flight of capital, and sterling funds fell to very low levels, the decline amounting to £NZ16 millions between

October, 1937, and the same month in 1938. From early in December the position became acute and the Government took drastic action. From December 5th it suspended the obligation imposed on the Reserve Bank to exchange New Zealand currency with sterling at its quoted rate, and imposed a rigid licensing system on both exports and imports. The avowed object of this control is, first, to pool all the exchange funds accruing, and, second, to control the distribution of those funds amongst their various uses.

It is apparent that no limitation of exports is intended. Since it is desirable to accumulate funds overseas, exports must manifestly be encouraged. But it appears that export receipts will be lower than for last season. About £NZ10 millions is required to pay interest on debt, etc., and some accumulation of overseas funds is desirable.

The real difficulties of the situation have, however, not yet been faced. The fundamental problem is one of comparative cost. The Government's programme has imposed on the country taxation and labour costs which could barely be met in a time of high prosperity and high income. If retrenchment is decided upon, it must mean the curtailment of social services and of public works. This will mean that fewer people will be employed and less money will be available to meet the distress occasioned by unemployment and similar causes. Public and private spending must be adjusted to a lower level of income and to less borrowing. This means retrenchment, and retrenchment is always difficult and unpopular.

Letters to the Editor

Dr Schacht and the Nazi System

[We regret that two small, but important, misprints crept into the main table accompanying the letter from Mr Thomas Balogh under the above heading in last week's issue. In view of the importance of the subject the table is reprinted below.—EDITOR.]

TAXATION, BORROWING AND EXPENDITURE IN GERMANY
(In Rm. milliards*)

	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39
1. Tax revenue (inc. States & municipalities) (b)	10.2	10.6	11.9	13.4	15.5	18.4	22.0†a
2. Unemployment insurance contributions	1.3	1.5	1.5	1.4	1.5	1.8	1.8†
3. 1 plus 2	11.5	12.1	13.4	14.8	17.0	20.2	23.8†
4. Cost of unemployment relief (c)	2.8	2.3	1.6	1.3	0.9	0.4	0.2†
5. 1 plus 2, minus 4	8.7	9.8	11.8	13.5	16.1	19.8	23.6†
6. Available for "extraordinary expenditure" out of taxation (d)	- 2.5	- 1.4	0.6	2.3	4.9	8.6	12.4†
7. Increase in bill portfolio of the banking system (e)			3.76		2.57	1.54	1.11†f
8. Increase in internal post-war debt (g)—							
Short-term	...	0.4	0.75	0.5	- 0.5	...	2.5†f
Long-term	...	0.85	0.75	1.7	2.6	3.3	4.25†f
9. Total visible borrowing	...	1.25	1.5	2.2	2.1	3.3	6.75†f
10. Total borrowing	...	4.15	4.15	4.5	4.67	4.84	7.0†(i.e. about 11 or 12 in year)
11. Estimated total sum available for "extraordinary expenditure" (i.e. 6 plus 10)	...	2.75	4.75	7.4	9.57	13.44	19 to 23

* It is very difficult to estimate the value of the Reichsmark for purposes of conversion into sterling. Its purchasing power is high in terms of labour, low in terms of raw materials. On the whole, a rate of conversion of Rm. 15 = £1 seems very conservative.

† Estimated. (a) Excluding the fine imposed on the Jews and the proceeds from the sale of confiscated property. (b) The table excludes contributions to health, old age pensions, etc., insurance (amounting in 1938 to not less than Rm. 3.1 milliards) and contributions to the Labour Front and Winter Relief Fund (Rm. 0.9 milliards). These and "voluntary" contributions to the Party are additional taxes, part of which are available for military and para-military purposes. (c) Excluding payments out of the insurance fund proper of Rm. 0.4 milliards. (d) This calculation is based on the assumption (i) that the combined budgets of Reich, States and municipalities had a deficit in 1932-33 of Rm. 2.5 milliards, and (ii) that "ordinary" expenditure has not increased since then. This involves some simplifications which do not, however, affect the main correctness of the figures. (e) Excluding changes in the volume of bills held outside the banking system, for which no statistics are available since 1936. (f) Figures for seven months only; the total for the year will be proportionately larger. (g) No allowance has been made for the cost of such repayments as war or foreign debts, as it is not known what the cost of such repayments was. (h) Rm. 1.5 milliards has been issued in January. (i) Some part of this increase is due to the incorporation of Austria and is therefore not a net gain to the Reich. (k) Including an estimate for amounts received through the replacement of private by State bills.

The Future of Credit

TO THE EDITOR OF THE ECONOMIST

SIR,—The new provisions set out in the Currency and Bank Notes Bill presented by the Chancellor of the Exchequer last night have been fully discussed in their technical aspects by to-day's Press. It is possible, however, to look past the immediate effect on sterling into the position which the Bank of England is assuming as controller of monetary and credit policy.

Such control is traditional to the Bank, but this new Bill transposes entirely the interests for whose benefit the control has hitherto been exercised.

Under the classic regime of Bank rate and gold standard, monetary and credit policy was subjugated to the needs of the owners of capital, and it was their requirements which led to the Bank's intervention.

To-day, it is the interests of the trading community which the Bank appears to have at heart, and for the future the Bank will be in a position to indicate to the owners of capital upon what terms capital may be lent to industry.

The new Currency and Bank Notes Bill is no isolated instance of the Central Bank's new attitude. From the inauguration of the Bankers' Industrial Development Trust until the recent issues of Richard Thomas and John Summers there are continuous instances of new methods of, and new reasons for, credit control.

The correct definition of the present policy is Socialist; not, however, in the sense which has come into such disrepute since its adoption by the Labour Party, but in its older sense of benefit to the entire community—not excluding the owners of capital who will sacrifice to some extent their position of command for greater and more stable opportunities of employing their wealth.

I am, sir,

Your obedient servant,

ROLLO VILLIERS.

London, S.W.3.

A REASONABLE PRECAUTION

is for every responsible citizen to protect his dependants by securing Life Assurance now. Obtain advice on a suitable Policy from the

NATIONAL PROVIDENT INSTITUTION

for
MUTUAL LIFE ASSURANCE

ESTABLISHED 1835

48 Gracechurch Street, London, E.C.3

OTARD'S EST. 1795
V.S.O.P.

LIQUEUR BRANDY

MATURED AND BOTTLED AT CHATEAU DE COGNAC

Books and Publications

Meat and Monopoly

SOME eighty-five years ago *The Economist* correctly forecast that Britain's consumption of meat would grow greatly; but it could not have been foreseen then that, out of nearly one million tons of chilled and frozen meat imported into the United Kingdom in 1937, over 44 per cent. would come from Argentina. A valuable study* by Mr Hanson, of the University of Louisville, describes how this came about. The extensive bibliography that is given suggests dimly the wide range of Mr Hanson's research, but quite inadequately his skill in concentrating its essence, like some literary Liebig, into a moderate compass; and his book, though the argument is occasionally somewhat hard to follow, is a store-house of valuable facts and figures, the usefulness of which is unfortunately impaired by a wholly inadequate index.

The author begins by sketching the Argentine economy before the advent of refrigeration, which became an effective process round about 1880; and carries the story up to the closing of the British market to Argentine livestock in April, 1900. This livestock ban stimulated refrigeration in Argentina; and the meat industry began to expand under the control of the three pioneer *frigorificos*. The balance of pastoral and agricultural activities in Argentina changed; cattle supplanted sheep near the cities; and the colonisation of the sheep lands of Patagonia proceeded in step with the development of crops and cattle in the metropolitan provinces. Railways, built by British capital, carried beef and moved crops; and Argentina became a great exporter of both meat and agricultural products.

* "Argentine Meat and the British Market." By Simon G. Hanson. Stanford University Press. Oxford University Press. 294 pages. 16s.

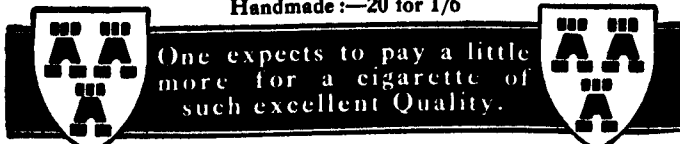


10 for 8^d

WILLS'S
THREE CASTLES
CIGARETTES

15 for 1/- 20 for 1/4^d 50 for 3/3^d 100 for 6/4^d

Handmade:—20 for 1/6



Issued by The Imperial Tobacco Co. (of Great Britain and Ireland), Ltd.

T.T.1939

The seven years following the ban on livestock were years of prosperity. The three pioneer *frigorificos* maintained their "understanding" to restrain competition. The *estancieros* learned to breed better stock, largely from British pedigrees, and to increase the capacity of the land for cattle by growing alfalfa. But they made the fatal mistake of being too content—or too proud—to engage in meat marketing as well as cattle raising; and the *frigorificos* were left with a virtual monopoly in the control of sales.

In 1907, the American wolf descended upon the *frigorificos* Argentine fold. Owing partly to the rapid growth of population in the United States and partly to the invasion of Western ranges by the arable farmer, the exportable surplus of American beef, on the hoof and chilled, was falling away. American packers, in order to retain their share of the British market and to avoid scrapping an elaborate sales organisation, promptly poached on Argentina's preserves.

During the slump which followed the post-war boom the native *estancieros* at last woke up to their dependent position. The Government, called upon to protect producers, withdrew their aversion to State interference and official control. The steps taken by the Argentine Government, and the more recent action of the British Government on behalf of British consumers, make up the latest episodes of Mr Hanson's story. The Anglo-Argentine Trade Agreement of 1933 (renewed in 1936) and the recent report of a joint committee, set up under the Agreement, on vested interests in the meat trade (discussed in *The Economist* of October 22, 1938, on page 162) illustrate the efforts that are now being made to safeguard both Argentine producers and British consumers against the monopolists' ring.

The main features of Mr Hanson's most interesting account are, first, the exploitation of a single great urban and industrial market by a geographically handy country ideally suited to meat production; and, secondly, the circumstances which permitted the control of the trade by a close ring. At present, six firms, sharing 85 per cent. of the trade and working in close co-operation, dictate their own terms. Distribution is strictly controlled by these concerns, who buy cattle from the Argentine breeders and kill, chill and sell it in Britain. Production by breeders is freely competitive. If marketing control in the interests of breeders and consumers, instead of packers and merchants, is to be made effective, output, too, will need to be regulated. Mr Hanson himself leaves us with the feeling that the Argentine meat industry, supplying as it does a prime need of Britain's population, is ripe for control in the public interest and for the introduction of fixed maximum profits—for treatment, in short, as a public utility by the two Governments concerned.

Books Received

- The People's Year Book, 1939.* (Manchester) C.W.S., Ltd., 1 Balloon Street. 323 pages. Cloth 3s. Paper 1s.
- Social Problems in Agriculture.* International Labour Office. (London) P. S. King. 162 pages. 4s. net.
- Colonies et Matières Premières.* (Paris) Centre Européen de la Dotation Carnegie. 278 pages. No price stated.
- Science in Africa.* By E. B. Worthington. (London) H. Milford. 746 pages. 10s. 6d. net.
- A Policy for British Agriculture.* By Lord Addison. (London) Gollancz. 304 pages. 7s. 6d. net.
- Les Grande Etablissements de Crédit devant la Crise.* By R. Boulli. (Paris) Recueil Sirey. 205 pages. 40 francs.
- Contemporary Monetary Theory.* By R. J. Saulnier. (London) P. S. King. 420 pages. 16s. net.
- Business Statistics. Second Edition.* By J. R. Riggleman and I. N. Frisbee. (London) McGraw-Hill Publishing Company. 790 pages. 24s. net.
- A Key to Modern Finance.* By H. G. Hodder. (London) Blackie and Son, Ltd. 197 pages. 5s. net.
- Building Up Manchuria.* By Yosuki Matsuo. (Tokyo) The Herald of Asia. 247 pages. No price stated.
- Milestones of Marketing.* By G. B. Hotchkiss. (London) Macmillan and Company. 305 pages. 10s. 6d. net.
- Peasant Life in China.* By Hsiao-Tung Fei. (London) George Routledge and Sons. 300 pages. 12s. 6d. net.

THE BUSINESS WORLD

Gold Revalued

IT was apparent at the time of the recent transfer of gold from the Bank of England to the Exchange Equalisation Account that legislation would be needed to put on a permanent footing the accompanying adjustment of the fiduciary issue. The Government have now decided, however, to take the opportunity of this legislation to effect a revolutionary change in the note issuing system of the country. The essence of this revolution is that in future the assets backing the Bank of England note circulation—gold and securities—are to be revalued each week at market prices and that any discrepancy between the resulting figure and the amount of notes outstanding is to be remedied not, as hitherto, by adjusting the issue to the backing, but by exactly the reverse process, namely, diminishing or increasing that backing, as the case may be, through transfers of gold or securities to or from the Exchange Equalisation Account. In future, therefore, it is the outstanding volume of notes issued which becomes the determinant factor in the position of the issue department of the Bank of England. The note issue is no longer to be determined automatically by changes in the volume of the gold reserve. The change is the symbol of the tremendous transition which has occurred from the rigid currency ideals of the "Currency school" which found their expression in the Bank Charter Act of 1844, to the elasticity of the new "currency management" towards which we are evolving. This transition has been made with all the gradualness typical of British institutional evolution—almost imperceptibly during the 19th century with the development of the cheque system and its nullification of the rigidities of the 1844 Act; much faster, of course, after the departure from the gold standard in 1931, and the setting up of the Exchange Equalisation Account. But not until now has the transition been openly proclaimed.

The measure which achieves this is the Currency and Bank Notes Bill, 1939, which was introduced in the House of Commons on Wednesday by the Chancellor of the Exchequer. Its main provisions are those relating to the revaluation of the assets in the Issue Department and to the consequent adjustment of the fiduciary circulation. The revaluation is to take place on the basis of market prices certified by the Bank of England. The first revaluation is to take place on the first Wednesday following the day on which the Bill receives Royal Assent. This initial operation should, on the basis of the existing gold price, raise the gold reserve in the Issue Department from £126 millions to £221 millions. In order to neutralise this surplus of £95 millions the fiduciary circulation is to be reduced from the present figure of £400 millions to £300 millions, which will in future be the "normal," replacing the £260 millions so regarded under the Currency and Bank Notes Act of 1928. The new measure will maintain the existing provisions for varying the fiduciary issue by Treasury minutes. The immediate net effect of the gold revaluation and of the reduction in the fiduciary issue will thus be to cancel some £5 millions of notes and correspondingly to reduce the reserve in the Banking Department.

It must not be assumed from this that the intention of the authorities is to stabilise the total note issue at the sum of the first revaluation of the Issue Department's gold plus the £300 millions fiduciary circulation. Apart from variations in the fiduciary issue, which, as in the past, are likely to occur at periods of seasonal demands for additional currency, there is nothing to prevent future gold transfers between the Issue Department and the Exchange

Equalisation Account in addition to the "correctional transfers" following the weekly valuations. In fact, the new Bill provides specifically for such operations, stating that any gold bought or sold between the Issue Department and the Account is to be priced at the last weekly valuation of the Department's gold holding. Thus the authorities will have complete freedom to vary the amount of notes in issue by shifting gold to and from the Issue Department as well as by changing the fiduciary circulation. Greater freedom of action could hardly be demanded.

The Bill's changes will have the effect of giving the Bank returns a greater claim to realism than these documents have had since September, 1931. Their effect can best be shown by presenting the Bank return issued this week in the form in which it actually appeared and in that in which it would have appeared had the proposed legislation been in force:—

ISSUE DEPARTMENT			
	Position on February 1, 1939	Under proposed legislation	
Notes Issued:—			
In circulation	471,948,507	471,948,507	
In Banking dept.	54,465,750	49,051,493	
Fiduciary Issue	400,000,000	300,000,000	
Gold	126,414,257	221,000,000	
BANKING DEPARTMENT			
Capital	14,553,000	14,553,000	
Reserve	3,566,269	3,566,269	
Public deposits	12,261,976	12,261,976	
Other deposits	145,442,460	145,442,460	
Government securities	77,901,164	83,315,421	
Other securities	42,674,228	42,674,228	
Notes	54,465,750	49,051,493	
Gold and silver coin	782,563	782,563	
Ratio of unissued notes and coins to liabilities ("Proportion")	35.0%	31.6%	
Ratio of gold to circulation	26.8%	46.8%	
Ratio of gold to notes and deposits ("reserve ratio")	18.5%	32.6%	

From the accountancy point of view the proposed changes effect a considerable improvement. They will make for a bank return which will convey a true picture of the position and will prove more understandable to the foreign observer than the documents hitherto published. Assuming no transfer of gold is made from the Exchange Account to balance the difference between the £95 millions excess value of gold and the £100 millions reduction in the fiduciary circulation the reserve of unissued notes in the banking department will be reduced by about £5 millions and the "proportion" will be correspondingly weakened. On the other hand, the ratio of published gold to the active circulation will be strengthened to a figure which in foreign eyes will seem more respectable than the percentage shown by the latest return.

Is it too much to hope that this improvement in the presentation of the return will now be taken to its logical conclusion, namely, the merging of the issue and banking departments of the Bank of England? The case for this removal of the fiction of separation was strongly enough argued in the Macmillan Committee's report in 1931. It will be stronger than ever after the gold reserve position has been regularised by the coming legislation.

In their future gold operations between the Issue Department and the Account the authorities will no longer be hampered by the book-keeping fiction of valuing the Bank of England's gold at the old parity. The consequent neces-

sity of debiting the Exchange Equalisation Account with the book losses made when selling gold to the Bank and the resultant reductions in the borrowing powers of the Account will no longer apply. In fact, the whole cumbersome book-keeping aspect of the relations between the Issue Department and the Exchange Account has been cleared by the recent transfer of £200 millions of gold (at nominal price) from the Bank to the Account. This transfer brought the gold holding of the Issue Department approximately to the level at which it stood when the Exchange Equalisation Account was launched. Thus the book losses shouldered by the Account through its sales of this £200 millions (nominal) of gold to the Bank will have been more than made good by the retransfer of the metal in question—"more than made good," because the gold sold to the Bank between 1932 and 1939 was acquired by the Exchange Account at a much lower average price than the market price of around 148s. per fine ounce obtaining when the Bank was called upon to resell it to the Account at the price of 85s. The complications caused by this differential between market and nominal gold prices have now disappeared and can no longer recur since all future gold deals between the Bank and the Account will be at market prices. The measures taken to regularise the note issuing system involve certain amendments in the existing legislation and in particular the formal abolition of the obligation on the Bank of England to issue notes in exchange for gold at £3 17s. 9d. per standard ounce. This abolition marks the final break with the Bank Charter Act of 1844. Also, though the point is not specifically covered in the Bill, the right of the authorities to buy compulsorily at 85s. per ounce any gold holding of over

£10,000 owned by a resident of the United Kingdom will presumably lapse. This provision has frequently frightened the gold hoarders and its lapsing will *pro tanto* encourage hoarding.

There remains to be considered the question of the disposal of the surplus of about £95 millions created by the revaluation of the gold reserve. Under the existing legislation, this surplus, which must be considered as a profit of the issue department, would go to the Exchequer. Under the proposed Bill, such profit will in future accrue directly to the Exchange Equalisation Account—a provision which incidentally will make it impossible in future to ascertain the extent to which the normal profits of the issue department have been increased or reduced by official operations in the gilt-edged market. The £95 millions in question will therefore go to the Exchange Account, offsetting what may still remain of the losses incurred in the repayment of the 1931 credits and increasing the borrowing powers of the Account. Whether the Government will decide to leave the windfall in this somewhat indefinite form, or whether they will take it into Miscellaneous Receipts to the relief of the next Budget, or whether they decide to use it for some other purpose, is a question on which the coming Finance Act may shed greater light. It should be remembered, however, that under Section 26 of the Finance Act of 1932 the assets of the Exchange Account are, on the winding up of the Account, to be applied "in such manner as the Treasury may direct for the redemption of debt." It would need fresh legislation to divert this particular paper profit, once it is paid to the Exchange Account, to serve a purpose of lesser financial rectitude than that laid down in the Act of 1932.

The Road Haulage Industry

THE road haulage industry is intimately concerned with the railways' "Square Deal" proposals, not only because of their obvious reaction on the competitive position of the road haulage industry as a whole, but also because of their indirect bearing upon the internal organisation of the industry. The question of rates is at least as important for the hauliers as for the railways. And this fact has been recognised in the private negotiations between the two parties, who have now reached agreement on a joint "Square Deal." This is reported to provide for a Bill, covering a transitional period, under which both rail and road charges would be subject to Government regulation. The Minister of Transport would be given powers under the Bill to make orders governing conditions and charges, and hence to vary existing rates and conditions, while a Tribunal would hear applications and objections and would advise the Minister.

To what extent will this agreement affect the road haulage industry? Since the report of the Transport Advisory Council on Service and Rates, considerable work has been done by the industry in building up the machinery of a rates structure. The announcement of the railway companies' demand to be released from the obligations of statutory rate-fixing has, of course, brought this movement in the road industry to a standstill, since road hauliers could hardly be expected to assume the obligations of compulsory rates just as the railways were being divested of them.

The establishment of a system of compulsory rates for goods haulage by road would, in the general expectation, accelerate the movement towards the consolidation of the industry into fewer and larger units, similar to that which occurred in the omnibus industry after the fixing of statutory fares by the Road Traffic Act of 1930. This movement in goods haulage has already been given some incentive by the limitation upon the number of haulage vehicles imposed by the licensing system. The number of "A" licences, or whole-time public haulage vehicles (excluding those directly operated by the railway companies), has fallen from 76,350 in 1936 to 74,000 in 1937 and 73,550 in 1938, while during the same period the number of operators has decreased from 25,650 to 23,000. Railway road delivery vehicles, on the other hand, have increased

from 9,000 units in 1936 to over 10,000 units in 1938. Only 11.8 per cent. of the haulage industry (apart from the railways), however, is controlled by firms operating more than fifty vehicles, and the proportion of the industry represented by amalgamations is probably not more than 6 per cent. But further amalgamation schemes have recently been mooted. Some of them are very ambitious and aim at modelling road haulage mergers on the type which has proved so successful in the omnibus industry, consisting of a central holding company and semi-independent but non-competitive operating units, with centralised buying and pooled technical facilities for the group as a whole. The campaign for freeing the railways from rates control, however, has put these schemes into cold storage, pending the clarification of the road hauliers' position.

The road haulage industry will probably have to pass through a period of trial and error until the proper types of organisation for goods transport by road are established. It may be that road hauliers, impressed by the financial results of omnibus operators, are apt to make too little allowance for the difference between the problems of passenger traffic—which concerns a more or less standardised traffic, self-loading and unloading, running on fixed routes according to definite time-tables under closely comparable conditions—and goods transport, which has to deal with a great variety and complexity of services. Passenger operation lends itself to a happy combination of decentralisation of the day-to-day work with centralisation of the functions suitable for central control. Goods operation, on the other hand, has in the past provided few examples of successful remote control. In general, the most profitable units are of a size in which few problems of centralisation and decentralisation occur; the exceptions are units which concentrate on one type of traffic, often requiring a specialised vehicle-body, and which are thus largely insulated against competition, except from a comparatively small number of similar specialists.

It is sometimes alleged that the scope for haulage amalgamations is also limited by the lack of personnel trained in large-scale goods operation and that a suitable technique for the administration of large haulage units has yet to be

evolved. There is certainly an element of truth in these contentions, and the problems of exercising control through comparative costs, relatively so simple in omnibus operation, may appear at first to offer almost insuperable difficulties in goods traffic. But the small haulage unit must inevitably run a considerable waste mileage if it attempts to give a reasonably regular and rapid service, because of the difficulty of matching the traffic on any particular day with the haulage facilities available, and when demands are heavy it may be compelled to refuse traffic. The large unit, on the other hand, is in a better position to smooth out chance fluctuations in the volume of traffic on any particular day, and it is potentially able, even more than the omnibus which is rigidly tied to a time-table, to ensure that all vehicles running are fully loaded. This can be achieved by giving the man on the spot the power to make rapid decisions and by keeping a central authority advised of the vehicle and traffic position, thus enabling it rapidly to equate the supply of vehicles to the demand at the various depôts.

It may well be that the emergency organisation for road transport, now slowly taking shape, will ultimately give a further impetus to the amalgamation movement. The emergency organisation is based on the pooling of vehicles with a view to reducing wasteful duplication, and on the provision of machinery for enabling supply to be equated with demand as equitably and rapidly as possible, both as between districts and different requirements. In some measure it is aimed at achieving, for emergency purposes, the type of organisation to which the industry is in any case being slowly driven by economic forces operating within the existing legal framework.

All the factors now at work, and not least the compulsory payment of statutory wages, are calculated to assist the larger operator at the expense of the smaller, but few, if any, will affect the position of the very smallest unit, consisting of the owner-driver with a single lorry, or the two-lorry business usually run entirely by two members of the same family and not employing any paid labour. This type of unit already accounts for 29 per cent. of the industry and represents the norm in many agricultural areas. In view of the highly individualised services required of them by their customers, such units are, perhaps, best left outside any rationalisation scheme. Certainly the attempt

of the Northern Ireland Road Transport Board to move in one stage from this type of unit to a road haulage monopoly has not been very successful. Even the grouping of such units for emergency purposes presents many difficulties, not least among which is the fact that such grouping can only be organised on a local basis, and the persons concerned are in normal times keen, and not infrequently bitter, competitors.

The organisation of road transport, whether for passengers or goods, is increasingly conditioned by the legal framework within which the industry must operate, and the extent to which amalgamation proceeds will in the long run be determined partly by this legal framework and partly by the limits set by economic and administrative considerations. The recognition of the potential value of the flexibility of road transport in emergency conditions, however, has introduced a new factor into the situation. It may now reasonably be expected that the Government, which for administrative reasons would prefer under emergency conditions to deal with fewer units, will be disposed to assist the tendency towards amalgamation and consolidation. This can most easily be accomplished by establishing conditions which tend to promote amalgamations when, following the discussions of the railways' case by the Transport Advisory Council, new transport legislation is introduced.

But the pace of the movement towards consolidation is set by the rate at which the difficult practical problems of large-scale road haulage organisation are solved. An attempt to force the pace may not, therefore, be in the general interest, which demands cheap and efficient transport. This possibility exists, for once the relations between the railways and the road hauliers have been put on a satisfactory basis (and any other policy would be contrary to the Government's declared desire to secure the co-ordination of both road and rail facilities), finance, which in the past has been rather shy of the road haulage industry, may be forthcoming for amalgamations on an adequate and, according to some transport experts, on a dangerously lavish scale. Past experience in other industries suggests that wisdom lies in the encouragement of amalgamations originating within the industry rather than in the promotion of "financial" amalgamations, not able to assure a reduction in costs and an improvement in efficiency.

Outlook for Cotton Shares

LANCASHIRE is not officially scheduled as a Special Area, but no one would deny the existence of severe depression in the cotton industry. Some 19.7 per cent. of the insured workpeople in the spinning section were unemployed in December; and in the weaving section, the proportion was as high as 22.8 per cent. Only 53 per cent. of the total spinning capacity is in production, and last year the total value of cotton yarn and cloth exports fell by no less than 28 per cent.—a fall which was matched by the volume in each class. More specifically, from the investor's viewpoint, the profits recently reported by Lancashire Cotton and Amalgamated Cotton Mills Trust show that earnings have been roughly halved.

The recovery which Lancashire enjoyed during 1937 proved ephemeral. In that year, the employed spindles percentage reached 91, while unemployment fell to the moderate level of 11 per cent. It was not, of course, recovery in any full sense: exports of piece-goods were only maintained at 1,922 million square yards, though yarn exports reached the highest level (159 million lb.) since 1929. But with the assistance of the minimum price schemes, the spinning section showed the best profits for well over a decade. Even in 1929, the losses of 175 spinning companies totalled £593,398, according to *Tattersall's Cotton Trade Review*. Last year, no more than 85 com-

panies remained, but their total profits of £913,119 show that Lancashire was nearer to prosperity in 1937 than at any time since 1921.

To-day, the story is different. The investor might question whether, even on the best assumptions, more than a handful of cotton shares hold out ultimate promise of real recovery. What are the assumptions? The passage of the Enabling Bill obviously comes first. It was indicated last month that a substantial body of support had been given to the Bill, and last week a two-thirds agreement was announced. The Enabling Bill is a much revised draft of proposals which had their roots in "Lancashire's Remedy," first published by the Joint Committee of Cotton Trades Organisations as long ago as October, 1937. The modifications which have since been made illustrate the difficulty of securing agreement in an industry where technical conditions vary widely, and the individual tradition dies hard. Only two days before the Joint Committee's statement last week, indeed, the Manchester Chamber of Commerce surprisingly rejected the proposals by 281 votes to 237. And Mr Oliver Stanley, announcing the impending publication of a White Paper containing the Clauses of the Bill, in Parliament on Thursday, added that an official ballot would be taken.

The supporters of the Bill are still hopeful that it will

receive the assent of Parliament. The controversy which the Bill has created, however, in part reflects the division of the cotton trade into a relatively prosperous home section, and a depressed export section. The manufacturer for the home market is obviously bound to oppose any measure which, in his view, might increase the cost of yarn. Among the spinner-manufacturers catering for the home market are Ashton Brothers, Barlow and Jones and Tootal Broadhurst Lee. Ashton Brothers have lately reported excellent trading profits of £70,332 for 1938, against £41,075 for 1937, and have paid a 5 per cent. ordinary dividend—the first for more than a decade—from adjusted ordinary earnings of 31.1 per cent. The latest figures for Barlow and Jones relate to 1937, when a 7½ per cent. dividend was paid. The reduction of the interim payment from 3½ per cent. to 2½ per cent. suggests that in this case the results for 1938, which are shortly due, may be less favourable. The flexibility of the provision against investment and plant, which in 1937 absorbed £40,000, against £20,000 in 1936, may, however, provide some cushion against falling profits. But the leading member of this group of companies is Tootal Broadhurst Lee, which has successfully developed branded cotton goods, particularly in the home market. The latest results for this company refer to the year to June 30th last, when trading profits showed a moderate reduction from £295,661 to £257,301, although the total distribution was maintained at 12½ per cent., including 2½ per cent. bonus. But Sir Kenneth Lee, at the annual meeting last August, expressed doubt whether this rate of payment could be maintained.

These companies produce part of their yarn requirements, but depend for the remainder on outside supplies. They do not, of course, exhaust the list of spinner-manufacturers, but their results indicate the more consistent earnings record of the manufacturers, particularly those interested in the home market, as contrasted with the spinners. The problem for the holders of spinning shares is whether the Enabling Bill is likely to lead directly to improved profits, either by increased business or by an improvement in spinning margins. Undoubtedly, the rapid recovery in profits during 1937 was due in large measure to the minimum price schemes which covered the majority of spinners in the Egyptian and American sections. But as soon as demand fell off, and outside competition for the available business became acute, the inevitable threat of defection had to be faced. A "loyalty-rebate" scheme in the Egyptian section induced yarn purchasers to confine their business to the spinners in the agreement, but the Medium American Ring Yarn agreement broke down last September. The experience gained under these schemes will undoubtedly prove useful, if the Enabling Bill is passed into law. In its simplified version, the Bill provides for sectional schemes for only two main purposes—minimum prices and redundancy.

Neither type of scheme makes a direct contribution to

the spinners' and export manufacturers' most urgent need—the resuscitation of export trade. Both are directed rather towards the appeasement of what is known to-day as "uneconomic competition" which Lancashire formerly used to regard as the rationale of its existence. But regarded from the narrower investment viewpoint, statutory minima which do not prejudice home consumption, but are yet sufficiently flexible to enable the industry to compete effectively in export markets, must be regarded favourably, though they cannot be introduced in time markedly to influence the profits of the current year.

The extent of redundancy can only be measured in the spinning section—though the weaving, and even more the finishing, branches of the trade are faced with the same urgent problem. In its second report, to September 14th last year, the Spindles Board recorded that 4,569,000 mule equivalent spindles had been acquired during the previous two years. The purchase programme of the Board is due to end next September, and it is safe to assume that the total spindles purchased will exceed 6 millions by that date. In addition to the Spindles Board, recognition must be given to the vigorous measures taken by Lancashire Cotton Corporation to meet its own redundancy problem. But although spindle capacity has been reduced from 45,875,251 in September, 1936, to 41,224,630 two years later, the latter total exceeded the number of spindles required to produce the yarn output actually attained for the half-year to September last by no less than 14 million spindles, compared with a surplus of 3.9 millions a year earlier. It is difficult to resist the conclusion, therefore, that the industry has something like 20 per cent. of spinning capacity surplus to "normal" requirements, and that there is room for further scrapping.

So far as concerns the industry as a whole, the scrapping of redundant plant would seem, therefore, to be at least as essential as the fixing of minimum prices. But from the investor's point of view, there is a distinction to be drawn between the two methods. Whereas minimum prices would presumably affect all producers equally, further scrapping would react most advantageously for the larger combine spinners who have already achieved some degree of rationalisation, of which Lancashire Cotton Corporation is the leading example. Reading between the lines of the recent report, it is evident that appreciable inner reserves against stock values have been made before striking profits. The Investment Note on page 32 of *The Economist* of January 7, 1939, discussed this conservative valuation of stocks, which, if the Enabling Bill is passed, will act as an offset against the decline in trade during the current year. Again, the profits of Amalgamated Cotton Mills Trust (discussed in *The Economist* of last week) were struck after providing for depreciation of stocks, without recourse to a reserve of £30,000 which was set up in 1937. The conclusion, in these two cases at least, is that defensive reserves have been set up against the possibility of falling stock values—and, by inference, against the threat of more acute competition. But, in the absence of recovery (of which there is no present sign), spinning profits are likely to be disappointing this year. Although it is to be presumed that the dividend on the Lancashire Cotton 5 per cent. non-cumulative preference stock would not willingly be passed, it was covered with a rather slender margin last year, which is recognised in the yield of £6 19s. per cent. at the present price of 14s. 4½d. Again, the highly-g geared 1s. ordinary shares of Amalgamated Cotton Mills (which stand at 1s. 3d.) received 8½ per cent. tax free last year, but the earnings ratio fell from 44.6 per cent. to 15.7 per cent. tax free.

Lancashire's remedy is not simple, and her complaint that she must face subsidised competition abroad, and has received scant treatment by Egypt and India (which depend on Lancashire, incidentally, to absorb an important share of their raw cotton) is not unreasonable. But the investor must be prepared to regard even the best of his cotton holdings as long-term recovery counters. There are many companies whose capitalisation still needs to be brought into relation with earnings realities, and some of them will be hard hit by a further period of depression. Unfortunately, the list of such companies is lengthy, and selection would merely be invidious. Recovery in the cotton trade will be to the few who are strong.

Finance and Banking

War Risks Cover.—Sir John Simon's statement of the Government's scheme for covering war risks on land and sea has received a mixed reception. Property owners, including the building societies who speak for four million investors and borrowers, have welcomed the principle that compensation for war losses will be payable from public funds, though they hoped for a detailed scheme. But, as the Chancellor of the Exchequer pointed out, normal insurance methods cannot be applied to covering war risks to property, and compensation must be based on the highest scale compatible with the circumstances of the country after, and not before, a conflict. Provision, however, will be made for payment in full up to a certain limit of loss, and for graded payments thereafter. Although payment will not be made until the end of hostilities, a Compensation Board under one of His Majesty's judges would be set up for the prompt assessment of damage, and provision would be made for emergency reconstruction of property. A scheme is also being devised to cover war casualties to civilians (not confined to those in National Service schemes) and for members of the mercantile marine, on the basis of army and navy compensation scales.

The plans to cover shipping and stocks of commodities have been linked more closely to insurance practice. In the first place, a scheme of marine war risks will shortly be announced, under which the marine war risks associations will be able to re-insure with the Government up to 80 per cent. of the value of ships (as fixed by the agreement) against King's enemy risks, on a premium basis after an emergency has arisen. Cargo insurers will form a pool, which will be able to reinsure similarly with the Government. Secondly, a scheme has been worked out by the companies and Lloyd's to cover stocks on land. Owners of goods will receive compensation for war losses in full immediately, and will pay premiums as soon as war occurs. No premium will be payable in peacetime, but persons requiring cover will register on payment of a nominal fee, and the scheme would become compulsory in time of war. Retail trade stocks are still under examination. The marine war scheme is clearly designed to relieve traders from the risk of rapidly rising premiums in the event of emergency—a risk which exists at present under the 48 hours' notice clause in marine policies and under the provision that steamers must sail within seven days (in other words, that rates cannot be fixed more than a week ahead of sailing). The provisions for covering goods should persuade traders to maintain normal stocks, and not (as in recent weeks) to allow them to dwindle to a hand-to-mouth basis.

U.S. Excess Bank Reserves.—The Federal Reserve Board has this week informed Congress that the present and prospective volume of excess bank reserves might "become the basis of an injurious credit expansion" and has requested "more power to meet such a crisis." The excess reserves (i.e. reserves in excess of those required by law to be kept against deposits) of member banks of the Federal Reserve system, amounted on January 26th last to \$3,600 millions. This constituted a new high record, being more than \$200 millions above the 1936 peak reached before the doubling of member bank reserve requirements in 1936 and 1937. Under section 19 of the amended Federal Reserve Act, the Board was given power to increase reserve requirements of member banks up to double what they were in 1935. In August, 1936, reserve requirements were raised by 50 per cent. and during the first four months of 1937 by another 50 per cent., thus fully exhausting the Board's powers. By these actions the Board eliminated about \$3,000 millions of excess reserves whose previous accumulation had been in the main the counterpart of the

influx of gold in the United States. From the point of view of their psychological effect, these increases in the Reserve requirements cannot altogether be held free from blame for the decline in commodity prices and recession in business activity, whose inception coincided with them.

Although the gold inflow to the United States continued unabated, and led to a rapid re-creation of excess reserves, the Federal Reserve Board decided in April, 1938, to reduce member banks' reserve requirements by approximately one-eighth. This was part of the comprehensive programme of Governmental measures for the encouragement of business recovery—known as the pump-priming programme—which was at that time announced by President Roosevelt, and it had the effect of raising excess reserves from about \$1,700 millions to \$2,500 millions. Under the existing legislation, therefore, the Federal Reserve Board's power to deal with the excess reserve situation is exiguous in the extreme, and its request for additional power presumably involves a demand for a further amendment of the Federal Reserve Act. Before such action is taken, it is to be hoped that the events of 1937 will not be altogether forgotten.

The Guilder's Weakness.—There have been further offerings of guilders during the past ten days, and as there has been little other business in the market, they have perhaps had a disproportionate influence on rates. On

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

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

BOARD OF DIRECTORS

Rt. Hon. the Earl of Athlone, K.G. J. F. G. Gilliat, Esq.
Rt. Hon. Lord Balfour of Burleigh Bertram Lowndes, Esq.
Stanley Christopherson, Esq. Horace Peel, Esq.
Edward Clifton-Brown, Esq. Rt. Hon. the Earl of Selborne, K.G.
Robert E. Dickinson, Esq. Sir Roderick Roy Wilson
Brigadier-General Sir Samuel Herbert Wilson, G.C.M.G., K.C.B., K.B.E.

General Manager in South Africa—Milton Clough
Deputy General Manager in South Africa
R. W. Normand

Assistant General Managers in South Africa
J. F. Gardner W. Gore W. A. Coombs J. T. Jurgens

London Manager—Ralph Gibson Secretary—H. Dales

Head Office: 10 CLEMENTS LANE, LOMBARD STREET

and 77 KING WILLIAM STREET, LONDON, E.C.4

London Wall Branch: 63 LONDON WALL, E.C.3

West End Branch: 9 NORTHUMBERLAND AVENUE, W.C.2

NEW YORK AGENCY: 67 WALL STREET

HAMBURG AGENCY: 49 SCHAUENBURGER STRASSE

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.

THE ECONOMIST BY AIR

To meet the growing demand from overseas readers for *The Economist* by air, special subscription rates have been introduced applicable to those countries to which Letter Mail is now normally transmitted by air. These are as follows:

	12 months	6 months
	£ s. d.	£ s. d.
Europe	4 17 6	2 8 9
Empire Air Routes	6 10 0	3 5 0

These rates include all supplements, but the latter will be sent by the surface routes and not by Letter Mail.

Unexpired subscriptions may be transferred to the new category on application to

THE PUBLISHER, THE ECONOMIST,
8 BOUVERIE STREET, LONDON, E.C.4

Thursday of last week the Netherlands Bank sold a few dollars at a rate of Fl. 1.85 $\frac{7}{8}$ to the dollar, and from then onwards it slowly raised its rate, until it was quoting Fl. 1.86 $\frac{1}{2}$ on Monday. On that day there was a heavy attack on the guilder, and it is believed that the Netherlands Bank sold between \$10 and \$20 millions. This vigorous intervention proved effective, for since then the bank has neither had to alter its rate nor sell any more dollars. There is some doubt about the origin of this selling, though it is traceable not only in Amsterdam but also in Paris and New York. Probably it represents a further efflux of

MONEY MARKET NOTES

Foreign Exchanges .

THE foreign exchange market has been comparatively unaffected by the developments in the international situation. Herr Hitler's speech stimulated business on Tuesday morning, but the increased activity did not last and on Wednesday and Thursday conditions were again very quiet. The sterling-dollar rates have shown small net gains in favour of sterling each day; the rate late on Thursday afternoon was quoted at 4.67 $\frac{1}{2}$ — $\frac{3}{4}$. Before the week-end the premium for forward dollars increased slightly to $\frac{1}{8}$ for one month and 1 $\frac{1}{2}$ for three months, but it has since come back to $\frac{1}{4}$ and 1 $\frac{1}{2}$ respectively. Control operations have been in evidence throughout the week, although on a small scale. On Tuesday morning, however, the Control was able to acquire fair quantities of dollars during the early appreciation of sterling. Francs have been very steady within the range of 176 $\frac{1}{2}$ —177 $\frac{1}{2}$. The French Control has prevented any appreciation in the spot rate, but the firm undertone is reflected in the narrowing of the forward discounts, which on Tuesday were down to $\frac{1}{8}$ for one month and $\frac{1}{8}$ for three months, compared with $\frac{1}{4}$ and $\frac{3}{8}$ before the week-end. The guilder has been erratic. On Monday the rate fell to nearly 8.73 $\frac{1}{2}$, at which point bear covering brought about a sharp recovery. This was maintained on Tuesday morning, when the guilder appreciated to 8.62 $\frac{1}{2}$, but a reaction set in later and the trend has since been very irregular. Other Continental currencies have been fairly steady except for a sharp appreciation against the dollar on Tuesday morning.

The Bank Return

THE note circulation shows an increase on the week of £8.1 millions, and the Reserve is down by almost exactly that amount. This expansion is due to currency requirements for the end of

	Feb. 2, 1936 £ mill.	Jan. 18, 1939 £ mill.	Jan. 25, 1939 £ mill.	Feb. 1, 1939 £ mill.
Issue Dept.				
Gold	326.4	126.4	126.4	126.4
Notes in circulation	476.7	468.0	463.8	471.9
Banking Dept.:				
Reserve	50.3	59.1	63.2	55.2
Public Depts.	11.4	12.3	12.0	12.0
Bankers' Depts.	111.4	116.7	118.2	108.3
Other Depts.	36.6	36.7	36.7	37.1
Cvtl. Secs.	98.1	85.8	82.0	77.9
Discounts & Adv.				
<i>vances</i>	10.5	18.5	18.8	21.3
Other Secs.	18.7	23.6	21.9	21.4
Proportion	31.5%	34.9%	37.6%	38%

month. In the corresponding week of last year the increase was only £3.5

funds combined with some speculation. In spite of the recent narrowness of the market there is still a steady commercial demand for dollars, both against shipments of rubber from the Netherlands East Indies and against shipments of eggs and other produce from Holland. On the other hand, there is a feeling in Holland that at its present rate the guilder may be slightly over-valued, and that feeling has probably been intensified by last autumn's depreciation of sterling. So long as this feeling exists the guilder may show signs of weakness from time to time, but the Dutch gold reserves are ample, and this week's

millions, but this year's Return is dated February 1st and there has not been time for any of the notes to return, as was the case last year. The currency withdrawals from the joint-stock banks, indicated by the increase in the note circulation, have caused a sharp drop in bankers' deposits. These are actually down by as much as nearly £10 millions, since, quite apart from the note increase, transfers of tax money to the Treasury are tending to reduce them. No attempt has been made to counteract the deflationary effect of these transfers; on the contrary, Government securities are down by £4.1 millions.

The Money Market

CONDITIONS are still dominated by the dearth of bills, and business as a result has been very quiet, although there was the usual big turnover of money associated with end of the month operation. A favourable reception was given to both the Liverpool and Northern Ireland bills, which are in both cases now eligible for rediscount at the Bank of England and do not therefore come under the clearing banks' ban. The Liverpool bills, amounting to £1,000,000 and running for six months, were placed at an average rate of 12s. 0.22d. per cent.; applications totalled £2,825,000. For the £300,000 Northern Ireland Treasury bills on offer applications totalled £2,675,000. Their short currency—they are repayable on April 6th—made them very attractive to the market, and the average rate at which they were placed was 10s. 3.54d. per cent., compared with 10s. 6.3d. for the previous issue on

	Feb. 3, 1938	Jan. 26, 1939	Feb. 2, 1939
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	$1\frac{1}{2}$ -1*	$1\frac{1}{2}$ -1*	$1\frac{1}{2}$ -1*
Others	$1\frac{1}{2}$ - $\frac{5}{8}$	$1\frac{1}{2}$ - $\frac{5}{8}$	$1\frac{1}{2}$ - $\frac{5}{8}$
Discount Rates :			
Treasury bills	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Three months' bank bills	$1\frac{1}{2}$ - $\frac{9}{16}$	$1\frac{1}{2}$ - $\frac{9}{16}$	$1\frac{1}{2}$ - $\frac{1}{10}$

* 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.

January 16th. It is expected that more "eligible" municipalities will take advantage of the present conditions to secure tenders at favourable rates, for the scarcity of bills has now reached such a point that the market is hardly able to satisfy any of the clearing banks' demand. Commercial paper is.

naturally, in eager request, and the rate for the three months fine bank draft has often been below $\frac{1}{2}$ per cent. in competition. Credit has been abundant, and bond money has been available at $\frac{1}{8}$, and sometimes at $\frac{1}{4}$ per cent., throughout the week. There are still no signs that any steps are being taken to relieve the present abnormal position, and business, now that the turn of the month has passed, will probably again relapse to negligible proportions.

The Bullion Market

THERE has been more arbitrage demand for gold this week, in spite of the steadiness of the sterling-dollar exchange. Further maturing of forward contracts which can no longer be renewed has maintained the supplies at the fixing at a fairly high level, but on Monday and on Wednesday the Exchange Account had to provide nearly half of the amount in demand. It is possible that part at least of the unusually large re-sales from Continental sources on Tuesday was the result of Herr Hitler's speech. Hoarders may have been reassured to the extent that they thought it no longer necessary to hold their gold, or, more probably, they may have considered that the favourable effect of the speech on the sterling-

Date	Gold				Silver, price per oz. standard	
	Price per fine oz.	Prem. or Dis- count *	Amt. dealt in +		Cash	Two Mths.
1939	s.	d.	d.	£'000	d.	d.
Jan. 27 ...	148	8½	12 pm	716	1915½	191½
" 28 ...	148	8½	12 pm	256	209½	197½
" 30 ...	148	7½	12 pm	650	201½	191½
" 31 ...	148	6	12 pm	873	20	191½
Feb. 1 ...	148	7½	12 pm	551	1915½	196½
" 2 ...	148	7½	12 pm	609	1915½	196½

* 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.

dollar rate, and the consequent decline in the price of gold, would go further and last longer than it actually did and that they should seize the chance of getting out at the present high level. The silver market has sagged throughout the week. On January 27th there was an exceptionally sharp fall of $\frac{1}{8}$ d. in the cash price which may have been due to sales of Spanish silver. The following day, however, it rallied again, as a result of bear covering and some Indian buying, but the rally proved to have been very short-lived.

successful defence shows that the authorities have the situation well in hand.

The Dumping of Reichsmark Notes.—It has been noticed for some time past that substantial quantities of brand-new Reichsmark notes fresh from the printer and in the original wrappers of the Reichsbank have been arriving in London. This influx has become accentuated during the last week or so. Considering the existence of watertight exchange control around Germany's borders, it is almost inconceivable that traffic on such a scale should take place without the knowledge and approval of the German authorities. While the Reichsmark rate itself is reasonably stable, the price of these notes has been fluctuating very widely during recent weeks, and the risk attached to holding them is considerable. Owing to the difficulty of covering the exchange risk, it is very unlikely that any London firm would be willing to acquire and hold large quantities of these notes on its own account. It must be assumed, therefore, that those who introduce large quantities of the notes into London are acting as agents for the exporters of these notes—presumably the German authorities. Needless to say, the natural absorbing capacity of the London market is limited, but with the price fluctuating between 42 and 52 to the pound, there is a strong inducement for ship-owners and sailors to buy them and spend them in

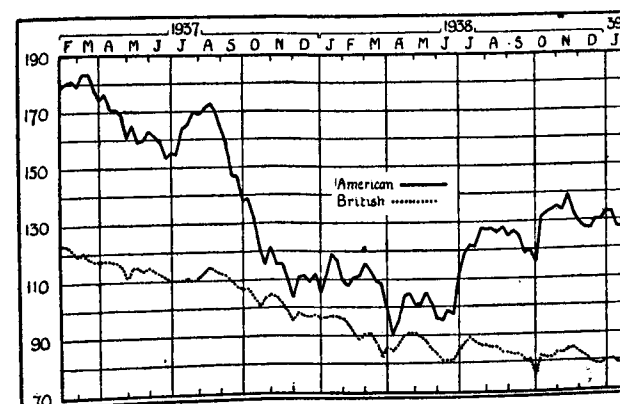
Investment

Course of Share Values.—The accompanying chart, which portrays the course of equity shares in London and New York during the past two years, does not fully reflect the remarkable changes in market sentiment during the past fortnight. The course of security prices for the last full week in January (as shown on page 190 of last week's issue) showed that markets had succumbed to a degree of political fear which had no parallel since the crisis last September. *The Financial News* index of ordinary shares, for example, fell to 73.7 on January 26—the same level as was reached on the

BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES DURING THE PAST TWO YEARS

(July 1, 1935 = 100)

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



Wednesday of the crisis week. Herr Hitler, in fact, had the market at his mercy, and although at the end of last week markets were recovering their poise, it was not until investors' radio sets were switched off last Monday night that they could breathe with real assurance. The speech, in fact, contained no specific threats of the character which the Reichstag cheered to the full last year, and it provided an immediate signal for "bear" covering and for a renewed flow of investment orders, usually of the smaller type, on Tuesday and Wednesday of this week. In terms of *The Financial News* index number, the market has

German ports on the purchase of stores. The control over smuggling-in of notes in small amounts is not so strict as the control over exporting any form of capital. It is possible that the whole traffic constitutes a method of procuring exchange through the sale of notes on the pattern practised in 1923, though now on an incomparably smaller scale. Possibly the German authorities close their eyes to the re-smuggling of notes in small quantities in order to keep up the absorbing capacity of the market. Such is the exchange shortage in Germany that it does not appear at all unlikely that the authorities would resort to these and similar methods for the sake of raising comparatively small amounts of free exchange.

Union Bank of Australia.—At the annual general meeting, Sir John Davidson referred to the over-stocking which affected many Australian secondary industries after the prosperous 1936-37 season had given way to slump. To support these firms and also the primary producers suffering from drought in addition to low prices, the banks increased their advances by £A23 millions in the year ended last August. Those of the Union Bank of Australia alone rose by £2,350,000, and this is the chief cause of the increase of £61,000 in the gross profits. The decline in the net profit is the result of an increase of £71,000 in expenses; of this, taxation, with which Sir John dealt in detail, accounted for £26,000.

recovered from 73.7 at the close last Friday to 78.7 on Thursday this week. Although much of the rise is attributable to technical factors (for last week's fall was, in reality, overdone), the condition of the "House," despite occasional slackening of interest such as occurred around noon on Wednesday, is certainly more confident. On the other hand, the large professional and institutional investor does not appear to have followed this week's rises very vigorously. Wall Street has taken a rather more sceptical line, and is showing some pre-occupation with the new interest of the Administration in European politics. On the other hand, the resumed rise in steel output after last week's fall has provided a modest pointer towards industrial recovery which should be welcomed.

Foreign Bonds Depressed.—Although foreign bonds shared in this week's rally, prices fell heavily on balance during January. The index of 107 bond prices, computed by Municipal and General Securities, thus shows a further fall from 61.3 to 58.6 (January-June, 1934 = 100). Political nerves affected the European index most severely, and are marked by a fall of 8 points to 70.1. Chinese issues were depressed owing to the uncertain future of the Customs loans service. It is a relief to find that South American States issues are higher—an improvement due to hopes of resumed Brazilian debt service. Details of the index are given below:—

AVERAGE JANUARY-JUNE, 1934 = 100.

End of Month	Europe	Near & Far East	Egypt	South and Central America		Complete Index	Unde-faulted Bonds	De-faulted Bonds
				States	Provinces			
					Total			
1938	(28)	(31)	(4)	(35)	(11)	(46)	(109)	(54)
January ...	97.9	71.7	97.8	75.5	67.1	73.4	79.3	80.2
March	83.4	73.9	97.2	61.3	49.4	58.2	69.6	78.2
	(27)						(108)	(48)
June	89.0	68.5	98.0	65.9	51.2	62.0	71.1	76.5
	(26)						(107)	(47)
September..	88.5	66.2	96.1	57.7	44.4	54.2	66.1	72.3
October	86.7	70.8	95.2	59.4	45.3	55.7	67.8	74.1
November ..	85.0	65.0	91.7	56.3	40.9	52.4	65.3	70.7
December...	78.1	64.2	87.0	53.7	40.7	50.2	61.3	68.7
1939								
January ...	70.1	57.7	83.2	56.2	40.2	51.9	58.6	65.3

N.B.—Figures in brackets denote number of bonds included.

Delicate questions of policy are involved in the Stock Exchange Committee's decision regarding the proposal to quote Greek Bonds ex dividend. The matter has been deferred until March 13th in the hope that meanwhile it may be possible to resume the debt negotiations. Foreign Bond dealers had requested the Committee to mark the Bonds ex dividend in view of the fact that many holders, having acted against the advice of the Council of Foreign Bondholders and the League Loans Committee by accepting the offer of 40 per cent. in payment of their coupons since March 31, 1937, now find that their Bonds are bad delivery. The objection to allowing an ex dividend quotation is that it would, it is felt, be considered as implying a *de facto* acceptance of Greek Government's offer and would prejudice the efforts to secure better terms.

Capital Issues in January.—Although the amount of new issue activity continues on a low scale, there has been a slight revival in the capital market. As will be seen from the following table, subscriptions of new money (calculated on our "old basis") were higher in January either than a month ago or than in January, 1938:—

(000's omitted) excluding conversions

	Old Basis					New Basis				
	U.K. Govt.	U.K. Other	Brit. Emp.	For- eign	Total	U.K. Govt.	U.K. Other	Brit. Emp.	For- eign	Total
Monthly av. 1938 ...	£ 6,325	£ 6,424	£ 2,025	£ 235	£ 15,009	£ 6,325	£ 14,146	£ 1,761	£ 528	£ 22,760
Nov., 1937	Dr.150	10,570	11,802	Nil	12,222	Dr.150	13,318	2,897	Nil	16,065
Dec., 1937	Dr.350	9,806	2,744	4,850	17,050	Dr.350	12,855	2,744	4,850	20,099
Jan., 1938	200	4,197	Nil	Nil	4,397	200	10,547	1,320	30	12,097
Nov., 1938	Dr.300	14,561	497	Nil	14,758	Dr.300	23,515	1,643	Nil	24,858
Dec., 1938	Dr.200	8,012	1,180	Nil	8,992	Dr.200	19,313	1,180	3,155	23,448
Jan., 1939	250	8,740	3,111	Nil	12,101	250	12,410	3,426	Nil	16,086

The largest issue of the month was of Southern Railway 4 per cent. debenture stock, which involved over £7,000,000 of new money, and next in size came the Jamaica 3½ per cent. loan. Only two public issues were made by industrial companies, and industrial placings remained small. The market, having come to a full stop owing to political nervousness, has reopened this week with the important John Summers' debenture issue.

Building Society Trends.—Evidence is accumulating regarding the experience of the building societies during 1938. According to figures compiled by the *Building Societies Gazette*, the results of 70 societies reporting to the end of January show an increase in mortgage advances from £46,880,592 in 1937 to £48,982,032 for 1938, while shareholders' balances increased from £186,231,563 to £196,322,232 and depositors' balances from £46,420,803 to £52,812,329. The report of the Abbey Road Building Society for 1938 confirms this general trend. During the past year the Society made advances amounting to £7,310,699, compared with £6,756,952 in 1937, while its liabilities to shareholders and depositors rose to £48,879,879, against £47,460,974 in 1937. Moreover, the report of a smaller society, Northampton Town and County, although showing a small reduction in mortgage advances (from a record figure of £1,511,219 to £1,439,396) and in deposits, shows an increase in shareholders' capital of over £400,000 to £5,432,238. There

is little evidence, therefore, either of a setback in mortgage business during 1938 or of an embarrassing withdrawal of funds by shareholders and depositors. The movement can congratulate itself on both counts in a year of reduced building activity and political uncertainty (coupled with the absence of war risks cover). The present position of the movement, after several years of unsurpassed building activity, nevertheless warrants careful consideration by those who are in a position to influence building society opinion. Despite the rise in the total assets of the 70 societies included in the *Building Societies Gazette* computation from £248.5 millions to £267.3 millions, it is worth pointing out that non-mortgage assets comprise only 7½ per cent. of the latest total compared with 8½ per cent. of the 1937 total.

Gas Company Results.—The past year included a mild spring and autumn and extreme cold before Christmas. Although in the latter period output showed a sharp expansion, the quantity of gas sold in 1938 was lower than in 1937—Gas Light and Coke shows a fall of 1 per cent. and South Metropolitan a fall of 3.46 per cent. Increased selling prices enabled both companies to maintain a satisfactory level of gross revenue, though the further rise in costs has offset (as was anticipated) any net benefit from higher prices. The results of Gas Light and Coke and South Metropolitan Gas for the past two years are analysed below:—

	Gas Light and Coke		South Metro. Gas	
	1937	1938	1937	1938
Sales of gas.....	8,825,575	8,808,386	2,672,545	2,642,871
Sales of residuals	2,777,245	2,897,862	816,797	775,395
Total rev. (inc. misc.)	13,573,409	13,653,391	4,009,003	3,942,569
Manufacturing expenses ...	5,919,440	5,792,754	1,884,034	1,853,004
Distribution expenses	3,816,700	4,267,059	974,331	925,896
Total exes. (inc. interest, etc.)	12,184,486	12,205,209	3,526,608	3,467,882
Prof. and max. ord. divs. ...	382,321	382,322	102,149	102,149
Ordinary stock—				
Earned.....	1,006,602	1,065,860	380,246	372,538
Paid.....	1,077,401	1,074,638	369,044	369,044
Earned %	5.2	5.5	5.7	5.6
Paid %	5.3	5.3	5.1	5.2
Redemption fund.....	40,000	40,000	...	...
Carry forward	102,376†	53,598	13,451	16,945

† After crediting Treasury grant of £336 and debiting issue expenses of £339.

Gas Light and Coke shows total revenue, including residuals, of £13,653,391, against £13,573,409, though gas sales were slightly reduced from 271 million therms to 268 millions. Manufacturing expenses were, in fact, reduced in somewhat greater proportion, but some further increase occurred in distribution expenses. The 5½ per cent. dividend, however, has been more nearly earned than in 1937. Although Gas Light and Coke fared relatively well in the residual business last year, South Metropolitan showed a fall in residual revenue. High coke prices have made a useful contribution to such revenues during recent years, while the extension of mains to new housing districts has entailed considerable capital and distribution costs to obtain a load which may, on the average, be lower than in older districts. Gas ordinary stocks are highly esteemed as stable equities (though South Metropolitan was actually compelled to reduce its dividend from 1936), but the maintenance of high coal costs is necessitating corresponding increases in selling prices, which react adversely on consumption, and provide no margin for the stockholder.

Gaumont-British Inspection.—The Board of Trade has appointed Mr. Russell Kettle, F.C.A., of the firm of Deloitte Plender Griffiths and Company to inspect the affairs of Gaumont-British Picture Corporation. An application for an inspector was lodged, with the support of holders of 10 per cent. or more of the share capital, in

January last year. A combination of circumstances—including discussions between the Corporation and the Shareholders' Committee, legal proceedings against the Corporation by Associated British Picture Corporation, and more recently the projected merger of Odeon and Gaumont-British—may have contributed to the delay in reaching a decision regarding the application. Section 135 of the Companies Act, under which it has been made, provides that all officers and agents of the company are required to produce to the inspector all books and documents "in their custody or power," and they may also be questioned on oath, with penalties for contempt of Court if they do not comply. The Inspector's report is made to the Board of Trade, which must send a copy to the company, and, on request, to the applicants for the investigation. The inquiry should have the salutary effect of answering the many questions which have been raised regarding the Corporation's affairs in recent years, for it is in expert hands. Whether the investigation will affect, or even delay, the projected merger negotiations between Odeon Theatres and Gaumont-British is uncertain. The inspection concerns the past affairs of the Corporation, but since the report may throw additional light on the present assets and earnings position, shareholders of both companies might prefer to await its outcome.

U.S. Steel Results.—Political factors, rather than reported earnings, were the dominant force in Wall Street this week. Comparatively little response followed the announcement by U.S. Steel Corporation of net profits of \$4,394,454 for the December quarter, compared with the loss of \$5,847,791 for the September quarter. The December quarter profit (equivalent to \$1.22 per share on the 7 per cent. preferred stock) is the first in 1938. Operations averaged 44.6 per cent. of capacity, against 34.6 per cent. for the third quarter—a fact which suggests that the "break-even" point, despite the new price arrangements, has proved lower than expected. The quarterly dividend of \$1.75 on the preferred stock has, of course, been regularly paid during 1938, although even last quarter it was not fully earned. The loss for the full year amounts to \$7,755,918 net, compared with profits of \$99,930,836 before tax in 1937. Youngstown Sheet and Tube shows a comparable setback, from profits of \$12,191,000 in 1937 to a loss of \$659,000 for 1938. Inland Steel is in a special category, but its common stock dividends were reduced to \$2.50 per share last year, compared with \$5 per share in 1937, while net earnings fell from \$12,665,317 to \$4,916,203 last year, equivalent to \$3.12 per share. The common stock dividend has been maintained for the current quarter at 50 cents per share.

Canadian Pacific Earnings.—Compared with the ominous fall in Canadian Pacific gross earnings in the summer of last year (when the cumulative loss approached \$6½ millions) the eventual loss of \$2,827,000 for the full year (from \$145,086,000 to \$142,259,000) is more consoling to stockholders. Virtually the whole of the loss, however, is borne by net earnings, for aggregate operating costs increased slightly from \$121,344,000 to \$121,506,000, and net earnings fell from \$23,742,000 to \$20,753,000—a fall of \$2,989,000. The latter figure, however, is only the first step—and certainly the clearest—towards an estimate of eventual net revenue for the year. Dividend income, which includes the revenue from the company's holdings in Consolidated Mining and Smelting, will suffer a reduction of \$1,682,500 from that source. And although net receipts from steamships recovered to \$2,459,000 in 1937, after two years "in the red," last year was not generally favourable for shipping earnings. Again, the precise position of the company for guarantees in respect of the Minneapolis St. Paul and Sault Sainte Marie Railway is difficult to determine. Under the reorganisation plan filed at the end of 1937, Canadian Pacific was due to be relieved of annual interest charges amounting to \$119,500, while the company was advised

that its guarantee of interest on the "Soo" Line first mortgage bonds, amounting to \$2,681,320 annually, would cease on July 1st last. The importance of these transactions, and of provision for losses on lines abandoned (which, however, do not influence dividend policy) is readily apparent. Hence, although under favourable assumptions it is possible to estimate earnings of 2 per cent. on the non-cumulative preference stock (the actual rate paid for 1937), the market is probably wise in anticipating a payment of no more than 1 per cent.

Woolworth Expansion.—Shareholders of F. W. Woolworth and Company, already fortified by record profits and an increased dividend for 1938, should draw additional satisfaction from Mr W. L. Stephenson's speech at the annual meeting. Sales last year reached a new record, for the fall in demand during the crisis was successfully made good by the end of the year. The expansion programme of 1937, when 34 new stores were opened, and a large number improved, has contributed its full quota to the excellent 1938 results. During 1938, 26 new stores and 40 enlargements and replacements contributed only part of their potential earnings, which will be fully reflected in the current year's results. There are now 737 stores in operation, and their profit ratio was maintained last year, despite higher expenses. Moreover, the policy of expansion is to be continued. Schemes costing £2½ millions have been approved for the current year, which are designed to add rather more than one new store per week, and to extend or replace 75 existing stores. This bold programme, undertaken in full knowledge of prevailing political uncertainties, disposes of the idea that the Woolworth group has reached a prosperous and satisfied maturity. The saturation point argument, which must to some extent be in the mind of the observer when a group has reached this scale, and when popular purchasing power may be near its maximum, evidently makes no appeal to the Woolworth board.

National Provincial Bank Limited

ESTABLISHED 1833

Statement of Liabilities and Assets December 31st, 1938

LIABILITIES

Capital paid up ...	29,479,416	0	0
Reserve Fund ...	8,500,000	0	0
Current, Deposit and other Accounts	310,956,984	19	5
Liabilities for Acceptances, Endorsements, Engagements, etc. ...	7,951,838	13	6
	£336,888,239	12	11

ASSETS

Coins, Bank Notes and Balances with the Bank of England ...	34,320,774	1	2
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit	10,650,986	16	3
Money at Call and Short Notice ...	17,991,279	14	11
Bills Discounted ...	32,189,714	5	4
Investments ...	86,802,778	19	6
Advances to Customers and other Accounts ...	139,586,103	14	8
Bank Premises ...	7,394,763	7	7
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc. ...	7,951,838	13	6
	£336,888,239	12	11

HEAD OFFICE:

15, Bishopsgate, London, E.C. 2

AFFILIATED BANKS:

COUTTS & CO. GRINDLAY & CO. LTD.

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

Boot and Shoe Profits.—The past year proved difficult for boot and shoe companies, and their profits have suffered in consequence. Brighter features, however, are not entirely lacking. W. Barratt & Company, whose profits have risen consistently since 1932-33, have increased their interim dividend from 4 per cent. to 4½ per cent. Again, Stead and Simpson appear at least to have maintained their earnings, though comparison is admittedly imperfect since a £38,000 preference share issue was made in January, 1938. The proceeds, however, do not appear to have been converted into fixed assets which would contribute to profits. In the following table we give a selection of recent results:—

Company (years to December 31)	Total profits	Tax	Earned for Ord.		Div.	Present	
			Amt.	%		Price	Yield
Lotus—	£	£	£	%			%
1936.....	110,886	22,000	57,418	11.1	7	13/9 (£1)	5.81
1937.....	98,370	27,000	40,765	8.0	6		
1938.....	58,726	23,050	7,460	1.5	4		
Stead and Simpson—							
1936.....	47,151	8,897	25,460	20.7	10	98(1)	4.59
1937.....	49,146	10,188	27,164	22.5	10		
1938.....	50,074	12,000	24,626	20.5	10		
William Timpson—							
1936.....	152,162	35,000	96,270	43.4	25½	15/4½ (5/-)	4.87
1937.....	167,524	50,000	96,788	25.8	15		
1938.....	157,996	55,000	82,919	22.9	15		
J. Darnell & Son							
1936.....	35,647	7,560	26,011	17.1	15	12/6 (8/-)	6.40
1937.....	34,556	9,583	22,521	15.0	15		
1938.....	28,111	9,850	15,703	10.8	10		
Weber & Phillips							
1936.....	18,237	384	16,837	9.2	8½	5/7½xd (10/-)	6.22
1937.....	12,185	...	10,401	5.6	6		
1938.....	8,068	...	6,668	3.6	3½		

† On £290,720, increased as from January 1, 1937, by two-for-three capital bonus. (i) 4½ per cent. debenture stock.

Of these five companies, Lotus and Weber and Phillips are primarily manufacturers; J. Darnell and Son are factors, while Stead and Simpson and William Timpson have their own retail stores. The published results alone do not indicate how profits have been affected by sales volume and how far by manufacturing and costing problems. But fluctuating material values and an increase in wages evidently played an important part in the year's difficulties. It may be significant that industrial recession has least affected Stead and Simpson and William Timpson, who supply a more popular and less specialised market than some other companies. Moreover, Public Benefit Boot Company (who own retail shops) report total profits only 4½ per cent. lower, though owing to higher charges, equity earnings are reduced from £14,647 to a mere £716. Recent industrial reports do not suggest that the industry has begun 1939 with a flourish. Since boot and shoe shares are not among the more readily marketable issues, the current yields seem to flatter their immediate prospects.

"Chartered" Results.—The market correctly assumed that the reduced distribution of British South Africa Company of 1s. 3d. against 2s. per share was due to lower investment profits and mining royalties. Total revenue for the year to September, 1938, declined from £960,090 to £706,970, and the net amount earned for dividend (£402,573, against £686,649) failed to cover the distribution by £27,467. Dividends and commissions show an increase of just over £100,000 at £498,583, but mining royalties are almost as greatly reduced at £199,395, while realised investment profits have shrunk from £266,973 to £8,992. The market, however, did not find these results depressing, for the 15s. shares rose from 22s. to 23s. 9d.

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.

later in the week. The portfolio shows a reduction in gilt-edged securities from 20.6 per cent. to 12.5 per cent., while "other mining investments" show a rise from 3.6 per cent. to 14.7 per cent., owing to the acquisition of ordinary and preference shares in Anglo-American Corporation, to which Sir Dougal Malcolm referred at last year's meeting. It is difficult to estimate prospective earnings for the current year. They should benefit from distributions from the Rhodesia Railways, in respect of the year to September last, after the latter have filtered through Rhodesia Railways Trust. Some £100,000 has been set aside to dividend reserve by the railways company, and "Chartered's" holding in the Trust is slightly under 80 per cent. Owing to the fall in the price of copper below the datum line of £55 (above this level "Chartered" receives a royalty of 2½ per cent., and below it one of 2 per cent.) copper royalties fell by £110,632, although production increased by almost 10,000 tons. Assuming an average rate of production of 95 per cent. of quotas for the first nine months of the year, production and royalty income should only be slightly lower in 1938-39. Some small reduction in dividend income may be sustained, and unless there is a marked recovery in the markets, little improvement in investment profits is to be expected. On the past year's distribution, the 15s. shares yield £5 14s. 6d., after adjusting for Dominion tax relief—a return which appears to measure their recovery prospects fairly.

The Week's Company Profits.—Textile company results are well represented among the 42 companies whose profit and loss accounts are analysed in our usual table on page 282. These companies show net profits of £2,375,000, against £2,893,000—a fall of 18 per cent. Aggregate net profits of the 153 companies (other than banks) reporting in 1939 amount to £16,072,000, and are 8½ per cent. lower than the total profits of £17,599,000 earned by the same companies a year ago. The week's results are discussed in preceding Notes and on page 262 under the heading "Shorter Comments."

Company Meetings of the Week.—In this issue reports of company meetings begin on page 267. Addressing *Lloyds Bank* members, Lord Wardington stressed that devices to encourage greater borrowing and spending failed if the public refused to take advantage of the opportunities. Comparing events in August, 1914, and September, 1938, he concluded that our banking and monetary system had become both stronger and more elastic. In an analysis of the Bank's advances, Lord Wardington pointed out that agriculture had required more finance during the past year, and had shown remarkably few bad debts. The average overdraft in all categories was £822. At the *Union Bank of Australia* meeting, Major-General Sir John H. Davidson estimated that total taxes payable by the bank in the current year would reach £250,000, which was more than the net dividend being distributed. Sir William H. Goschen, addressing the *Sun Life Assurance* meeting, expressed satisfaction that for the fourth successive year the commission and expense ratio showed a decrease. Mr W. L. Stephenson's survey at the *F. W. Woolworth and Company* meeting is discussed in a Note on page 257. Members of *General Consolidated Investment Trust* were informed by Mr R. H. Otley that the decline in gross income from investments was partly due to lower receipts on account of arrears. The Board's attitude towards the use of the revenue reserve was discussed by Mr J. S. Austen at the *Government's Stock and Other Securities Investment* meeting. At the *Ashanti Goldfields* meeting, Mr J. H. Batty explained how important developments had revolutionised the outlook. Reserves, on a throughput of 30,000 tons a month, represented five years' supply. Mr Batty informed *Bibiani* shareholders that the new treatment plant should be ready for trial runs towards the end of May or early in June.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
FEBRUARY 7 FEBRUARY 9

THE dramatic reversal in market sentiment which occurred after Herr Hitler's speech finds its only parallel in the Munich "boom" last September. In fact, some parts of the market had prepared themselves for a sharp rally, for speculative sellers had in many cases reduced their open position on Monday and their covering caused an appreciable strengthening of prices. The gilt-edged market did not share in this preliminary improvement, but followed the general rise later in the week. Indeed, on Wednesday and Thursday the demand for the Funds was the outstanding feature of the day. Buying has not, generally speaking, been of a large-scale professional character, but a sufficient volume of moderate orders has been received to strengthen prices considerably in all departments. The revaluation of gold acted as a further stimulus on Thursday on the perhaps optimistic assumption that it would remove the necessity for additional taxation and, more reasonably, that the high price of gold could be regarded as assured.

The *Funds* gave a poor display at the opening and undated stocks showed falls ranging up to ½. A striking recovery, however, occurred on Tuesday, assisted by substantial "bear" covering and Old Consols jumped no less than 1½. The improvement was continued in mid-week and again on Thursday, which was a "gilt-edged day." The tone also improved among dominion stocks and several New Zealand issues made fractional gains in mid-week. In the foreign bond market, "bear" covering was responsible for a sharp rise in German issues, but after further appreciation a reaction occurred on Wednesday afternoon. Support for Japanese issues was the feature in the Far-Eastern group, but Brazilian bonds failed to maintain last week's advances owing to greater scepticism regarding resumption of the debt service.

Home rails shared in the week's recovery, partly on appreciable "bear" covering and partly on the progress of the "Square Deal" campaign and the road-rail pact reported on Thursday. Despite the poor traffics, prior charges showed useful mid-week advances. Argentine rail prices were marked higher but business remained quite small.

Even before Herr Hitler's speech on Monday, the *industrial market* thought its previous attack of nerves overdone, and the week opened with a good technical recovery. Prices again went ahead smartly on Tuesday, helped by "bear" covering and some buying of the leaders, but though calmer conditions returned later and profit-taking caused occasional irregularity, prices were consolidated and even improved. Iron and steel shares rose firmly on Monday and Tuesday, but the best prices were not maintained in some cases. The Anglo-German agreement helped coal shares, which, on the whole, held their ground. In the engineering section also, prices remained firm after their initial gains. Electrical equipment shares behaved

similarly, and electric supply shares recovered after early weakness. The "heavies," and in particular Leyland, were prominent among motor shares, which were well supported almost throughout the week. After Monday's sharp rise, aircraft issues did not make much further headway. De Havilland improved on the report, but Blackburn gave way on the new capital proposals. Textiles shared modestly in the general trend. Listers lost ground on the results, but Courtaulds were helped by the decision to reopen the Leigh mill, though they became more irregular in mid-week. Brewery shares were well supported, and continued to go ahead on the beer output figures and taxation optimism. Tobacco shares showed the same tendency. Both store shares and provision and catering issues improved. Miscellaneous shares were typical of the rest of the market, and the leaders on the whole held their early gains. Shipping shares behaved independently, and were rather steadier after early irregularity.

In *oil shares*, the better tone over the week-end was followed by a good upward trend on Tuesday, with support for the leaders reinforced by Paris and Amsterdam. Wednesday, however, saw some reduction in turnover and weaker prices, but quotations recovered on Thursday. The improvement in rubber shares early in the week, both in prices and turnover, was not maintained, and greater reserve was shown in mid-week. Tea shares followed other sections of the market.

The *mining markets* went ahead strongly. Bear covering on Monday brought a firmer tone, and Tuesday's gains were considerable. The better tendency in Kaffirs persisted in mid-

week, and was given further impetus by the decision to revalue the Bank's gold stock. Investment support was mainly local, though the Cape turned buyers of the developing mines, and Paris interest in the dividend-payers revived in mid-week. West Africans followed the trend of Kaffirs and improved further on Thursday. Rhodesian coppers quietened down after an initial spurt. Buoyant prices for base metal shares were assisted early in the week by Paris inquiry. Treppa were a bright feature. Some renewed interest in tin shares was shown in mid-week.

ACTUARIES' INVESTMENT INDEX

ON Tuesday, January 31, 1939, the Actuaries' index of 160 industrial equity prices had recovered from the low point of a week ago to 59.1, but it compared with 61.5 a month ago, and 73.5 a year ago. The corresponding average yields are 6.40, 6.13 and 4.85 per cent. We give below a selection of the component indices, and also the usual monthly particulars of fixed interest securities.

Group and (No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1939 High
	Jan. 25, 1938	Dec. 30, 1938	Jan. 31, 1939	
Fixed Interest:				
2½% Consols.	136.2	125.3	123.7	...
(1) Misc. ind. deb.	121.6	119.6	117.5	...
(14) Misc. ind. pref.	116.5	110.5	108.3	...
(26)				
Ordinary:				
Insurance (10)	120.8	112.9	109.7	113.1
Aircraft mfg.	...	100.0	90.7	96.7
(5) Coal (8)	102.7	78.8	74.7	79.1
Cotton (5)	34.9	23.6	21.1	23.2
Elec. Lt. (16)	118.9	115.1	111.9	115.0
Iron & st. (19)	64.3	54.1	51.5	53.5
Home rails (4)	67.7	35.0	30.0	32.6

† Dec. 30, 1938 = 100.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Jan. 27	5,615	5,855	73.7	120.0
Jan. 30	5,955	7,315	75.6	119.9
Jan. 31	6,615	6,350	78.0	120.7
Feb. 1	5,995	6,745	78.7	120.9
Feb. 2	5,345	6,665	78.7	121.1
1939 High...	...	...	80.7	123.5
Low...	...	...	Jan. 3 73.7	Jan. 3 119.9

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

Group	Yield (%)			Price 1939 Low
	Jan. 25, 1938	Dec. 30, 1938	Jan. 31, 1939	
Fixed Interest:				
2½% Consols..	3.27	3.56	3.61	...
Misc. indus. deb.	3.92	3.98	4.05*	...
Misc. indus. pref.	4.22	4.46	4.54†	...
Ordinary:				
Insurance	3.47	3.78	3.89	109.7
Aircraft mfg. ..	...	...	8.65	89.4
Coal	4.97	6.73	7.97	74.0
Cotton	2.64	3.14	4.18	20.9
Elec. Lt. & P. ..	4.50	4.79	4.93	111.9
Iron and steel ..	6.29	7.57	7.16	49.5
Home rails ...	3.16	9.65	11.65	29.5

* Or 4.06 per cent. before revision of index. † Or 4.56 per cent. before revision.

'FIFTEEN MOORGATE' UNIT TRUSTS

An investment now, yields*—

5½% in ... SAVINGS UNIT TRUST | 8% in INVESTORS 2nd GENERAL TRUST
6½% in HUNDRED SECURITIES TRUST | 5½% in PROVIDENT INVESTORS TRUST
8% in INVESTORS GOLD SHARE TRUST | 7½% in INVESTORS FLEXIBLE TRUST
OR 6½% ... if the investment be divided equally between these six Trusts thereby spreading the capital over approximately 190 different stocks and shares

INVESTORS INCOME AND RESERVE TRUST: 5% in Income Sub-Units 3% in Reserve Sub-Units

* The yields quoted are gross, approximate, and based on last year's dividends and current prices (which include all management fees)

Apply for free handbook D 71 to the Managers,

FIFTEEN MOORGATE UNIT TRUSTS LIMITED, 15 MOORGATE, LONDON, E.C.2
CONSULT YOUR STOCKBROKER OR BANKER

CANADIAN stock markets last month were not in a healthy condition, and public buying was reduced to a minimum. At intervals, especially at the end of January, there were some upward movements, but depressing news about the international situation produced a recession. Declines were not important for the first twelve days or so, but losses then became considerable, and only at the end of the month was the trend reversed. Speculators maintained their interest in armament shares. The mining market followed the general trend, with base metals usually in the lead. The "Investors' Index" of the Bureau of Statistics, which stood at 108.7 on December 31st, fell to 105.9 on January 11th. The bond market opened relatively firm, and the Bureau's index for the price of long-term Dominion bonds for the week January 6th-12th remained unchanged at 117.9, compared

with the corresponding week of December.

	Jan. 1939	Feb. 1939	Jan. 1939	Feb. 1939
Bell Tel.	166½	168	Int. Petrol ...	26½ 25½
Can. Car.	17½	15½	Brazil Trac. ...	8½ 8¼
Do. pref'd.	33¼	31	Brit. Col.	23 22½
Power Corp.	11¼	10½	Power "A"	23 22½
Dome Mines	33½	31½	Do. "B"	23 21½
Hollinger	14½	14¼	Can. Cement ...	9½ 8
McIntyre	53	52¼	Int. Nickel	56 51
B. of Mont'ri ...	208	212	Masssey Harris ...	7½ 6
Bk. of Nova ...	301	305	Quebec Pow.	17½ 16
R. Bk. of Can. ...	185	188	Shawinigan ...	20½ 20½
C. Bk. Com.	175	174	Water	20½ 20½
Can. Pac.	6	5	Steel Co. of ...	7½ 7
Cock. Plow.	8	7½	Canada74½xd 71	

Capital Issues

THE resumption of new issue business has been encouraged by the market's response to Herr Hitler's speech. The most important offer of the week consists of £2,000,000 4½ per cent. first debenture stock, redeemable 1959, by *John Summers and Sons*. The proceeds are required to finance the erection of the new strip mill at Shotton (full details of which were published in *The Economist* of January 14th last). An estimate of profits for 1938 shows that, after adjusting for depreciation, the full service of the stock was covered two and a half times by earnings. In view of the powerful affiliations of the company, and of the expected earning power of the new plant, the stock may be regarded as a sound industrial debenture. The mixed issue of preference and ordinary shares by *Kennings, Limited*, motor distributors and engineers, is likely to appeal more especially to investors in the Derbyshire area. Profits during the latest year show an appreciable fall. Particulars have been published this week of an issue of 4 per cent. debenture stock by *Railway and General Investment Trust*.

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
February 4	£2,000,000	£420,000	£2,420,000
To the Public	2,000,000	420,000	2,420,000
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	715,124	Nil	845,516
Sav. Certs., week ended			
January 28	Dr. 50,000		Dr. 50,000
Year to date	U.K.	Brit. Emp. ex U.K.	Foreign
1939 (New Basis)	18,025,816	18,025,816	
1938 (New Basis)	28,923,375	18,144,101	
1939 (Old Basis)	14,020,924	14,020,924	
1938 (Old Basis)	19,671,595	8,892,321	

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign
1939 (New Basis)	14,600,024	3,425,792	Nil
1938 (New Basis)	15,785,577	2,328,419	30,105
1939 (Old Basis)	10,910,132	3,110,792	Nil
1938 (Old Basis)	8,892,321	Nil	Nil

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	11,842,500	875,912	5,287,404
1938 (New Basis)	6,788,713	1,412,658	9,942,730
1939 (Old Basis)	10,954,500	298,000	2,768,424
1938 (Old Basis)	4,042,500	582,500	4,267,321

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

John Summers and Sons.—Issue of £2,000,000 4½ per cent. first mortgage debenture stock, at 98½. First charge on fixed assets and on capitals of two chief subsidiaries; further £500,000 can be issued. Redeemable at par December, 1959, or by drawings from

1941, or on notice at various rates and dates. Proceeds for new mill, etc. Net assets (after debentures), £5,668,317. Combined profits, after depreciation, before interest: 1935, £353,194; 1936, £423,158; 1937, £661,774.

Kennings, Ltd.—Issue of 100,000 5½ per cent. cumulative £1 preference shares at par and 400,000 5s. ordinary shares at 6s. 6d. Proceeds to repay loans, etc. Motor distributors, etc. Combined profits of company and subsidiaries (before interest), years to June 30: 1936, £44,393; 1937, £72,750; 1938, £54,472. Combined net assets, £164,152. Lists closed at noon on January 31st.

RESULT OF TENDER

Liverpool Corporation Bills.—The tenders for £1,000,000 bills to be dated February 6, and payable August 5, 1939, were opened February 1st at the Bank of England. Total amount applied for, £2,825,000; amount allotted, £1,000,000; tenders at £99 13s. 11d. receive an allotment of about 46 per cent.; tenders at higher prices receive allotment in full; average rate of accepted tenders, 12s. 0.22d. per cent. per annum. At the date of this notice the corporation have no bills outstanding.

BY STOCK EXCHANGE INTRODUCTION

Railway and General Investment Trust.—Issue of £300,000 4 per cent. debenture stock Series "B" taken by Messrs James Capel and Company at 98½ less ½. Redeemable from December, 1960, at 101, or at par in 1965 (102½ on a voluntary liquidation).

BONUS SHARES

Vulcanite, Ltd.—The directors propose a 10 per cent. non-cumulative preferential dividend for the preference, instead of existing participating rights, and to capitalise £12,500 (or 100 per cent.) of general reserve by a bonus of 50,000 ordinary 5s. shares to ordinary shareholders.

ISSUE TO SHAREHOLDERS ONLY

Blackburn Aircraft.—Issue of 800,000 10s. ordinary shares at par, in proportion of one share for one held. To rank from April 1, 1939.

SHORTER COMMENTS

Company Results of the Week.—Current shipping profits show that recovery was sharp but short-lived. **WM. FRANCE FENWICK AND COMPANY** report total profits of £112,651 against £171,142, and the dividend is reduced from 10 per cent. to 7½ per cent. Net profits of **SINGAPORE TRACTION COMPANY** show a sharp fall from £53,426 to £40,624, largely owing to the strike last summer. **WESTINGHOUSE BRAKE AND SIGNAL** is among the few companies to show a rise in total profits to £265,518 against £262,776. In 1936-37, moreover, a special credit of £15,856 from reserves was included in profits. Satisfactory earnings stability is recorded by **BEANS INDUSTRIES**, which pays 32 per cent. for the year, against 30 per cent. actual for the initial period. The rise in **DE HAVILLAND AIRCRAFT** net profits from £230,089 to £262,259 is considerable, though less marked than in the previous year. Stocks and work in progress have risen sharply to £1,345,961 gross. Recession has affected warehousing companies. **BRAD-**

BURY GREATOR net profits have fallen from £46,471 to £31,906, and though the 9 per cent. dividend is maintained, it is covered by earnings of only 5.6 per cent. **HOUNDSDITCH WAREHOUSE COMPANY** total profits have fallen by the relatively moderate amount of £21,000 to £262,552, and the 17½ per cent. dividend is repeated. **LISTER AND COMPANY**, whose past profits record is irregular, have sustained a loss of £37,513 against a profit of £75,084. Total profits of **LINEN THREAD COMPANY** amount to £162,887 (against £296,623 after providing for contingencies), and the previous year's 2½ per cent. bonus is omitted from the distribution. **ENGLISH VELVET AND CORD DYERS'** total profits of £13,886 are reduced to one-third of the 1937 total, and debenture service entails a transfer from reserve. **MCINTYRE HOGG MARSH** total profits are halved, and the 10 per cent. dividend is short-earned by 3 per cent., if special profits are excluded.

MISCELLANEOUS

Trust of Insurance Shares.—Notice is given of a variation in the provisions of the Trust Deed dated June 21, 1934 (as amended) by a Supplemental Trust Deed dated December 29, 1938. Copies of the deeds and a statement of their effect are obtainable by certificate holders at the offices of the Trust, 30 Cornhill, E.C.3.

National Mutual Life Assurance Society.—As result of valuation made on December 31, 1938, reversionary bonuses for 1937 and 1938 will be at same normal rates per annum compound as before, viz.: Fully participating whole life, 42s. 6d. per cent.; endowment, 37s. 6d. per cent.; low premium participating, 15s. per cent. The directors have decided not to declare the small extra bonuses distributed in two previous valuations, owing to the obscure financial outlook and consequent need for conserving resources. Interim bonuses for 1939 will be at same rates as before, and equal to those now declared.

Swiss Bank Corporation.—Net profit for 1938, Frs. 10,029,946 against Frs. 9,574,185. Dividend 5 per cent. as before. Carry-forward raised from Frs. 1,574,185 to Frs. 2,029,945. Total assets end 1938, Frs. 1,451,066,892 against Frs. 1,512,755,363. Total of debtors and advances, Frs. 449,627,622 against Frs. 469,957,380.

Beira Railway.—For year to September 30, 1938, net operating revenue was £553,409, a gain of £414. After charges (including taxation, £170,000 against £145,000), profit shows decline of £13,711 at £264,454. Provision of £50,000 is made for rebuilding. Net profit £214,454, an increase of £13,233 on 1937, when £50,000 written off for issue and expenses and various items totalling £26,943 were charged. Dividend is unchanged at 2s. a share; £60,000 (£80,000) to reserve; £40,000 (£20,000) to dividend equalisation. Carry-forward raised from £30,203 to £39,658.

United Kingdom and Argentine, 1933, Trust.—Auditor's report for 1938 shows that, as last year, £11,449,760 of certificates have been issued. These are: £3,578,050 4 per cent. "A," £2,504,635 5½ per cent. "B" and £5,367,075 "C" certificates. There are deposited in the Trust: £5,367,075 British Government 3 per cent. Conversion Loan, £7,156,100 Argentine 4 per cent. sterling bonds, 1933, and £168,690 (against £170,509), cash and securities. Balance of income carried forward is £25,896 (£17,179).

De Havilland Aircraft Company.—Trading profit increased by £52,344 to £357,453 in year to September 30, 1938. To depreciation, £109,446 (£85,774). Ordinary dividend and bonus, 12½ per cent. as before, but absorbs £100,000 against £75,000. To reserve, £50,000 (£35,000). To staff fund, £10,000 as before. Carry-forward reduced from £18,130 to £10,943. Fixed assets stand at £863,833 (£720,253); stocks, etc., at £1,345,961 (£871,225).

(Continued on page 279)

Industry and Trade

Anglo-German Coal Talks.—Last Saturday evening the Central Council of British Colliery Owners announced that "all points of difference" between the industries in this country and in Germany had been settled, and that it was proposed to resume the negotiations for a "general agreement" with the other prospective members of the proposed cartel. Since Germany's policy to increase her share of European coal exports had hitherto been the chief stumbling block in the way of an international agreement, the long-awaited cartel has at last come into sight. The terms of the bargain between the British and German colliery owners have not yet been disclosed, not even to the other prospective cartel countries, but rumour has it that the agreement covers coal (except shipments for the use of steamers engaged in foreign trade), coke and coal briquettes and that the two countries are to share equally in the aggregate exports of these fuels. As the following table shows, a fifty-fifty arrangement would be very favourable to Germany on the basis of the relationship between the two countries' exports in 1929, but slightly less favourable on the basis of the figures for 1937. In the past year, however, Britain's exports were slightly higher than those of Germany:—

U.K. AND GERMAN COAL EXPORTS

Year	Coke			Total (in terms of coal)
	Cargo	Briquettes	Coal	
1929—				
United Kingdom.....	61.2	3.0	1.2	66.8
Germany	32.3	10.6	0.8	49.0
1933-37—				
United Kingdom.....	39.1	2.4	0.7	43.3
Germany	28.7	6.8	0.8	39.7
1937—				
United Kingdom.....	41.0	2.5	0.7	45.4
Germany	38.2	8.8	1.0	52.4
1938—				
United Kingdom.....	36.4	2.0	0.3	40.0
Germany*	29.6	5.3	1.1	38.6

* Estimated on basis of eleven months.

† Annual average.

If the reports of the terms of the agreement concerning the relationship between British and German exports are correct, Germany has struck a hard bargain, and she has consolidated the position in the export markets gained in recent years, mainly at the expense of this country. The rapid increase in Germany's share of Europe's coal exports is widely attributed to subsidised price-cutting. But Germany's export drive was facilitated by the price policy of the industry in this country; thus, between 1929 and 1937, when Germany gained ground rapidly, the average export price of British coal rose by 16 per cent., whereas the sterling equivalent of the average price of German shipments fell by 8 per cent. Between 1937 and 1938, when both British and German average export prices rose by about 12 per cent., Germany's exports of coal fell much more steeply than Britain's. The figures for the past year suggest that Germany has not been able, or willing, to continue her policy of gaining business at the expense of Britain, and has even been prepared to lose ground in order to secure a higher price per ton. The agreement concluded last week merely confirms this change of policy.

Volume of Overseas Trade.—The latest quarterly survey of the average price and volume of British overseas trade, published in last week's *Board of Trade Journal*, relates to the last three months of 1938 and to the year as

a whole. The results of this survey are summarised in the table given below:—

AVERAGE PRICE AND VOLUME OF IMPORTS AND EXPORTS

	Total Imports			Domestic Exports		
	Declared value	Index of average import prices	Index of volume	Declared value	Index of average export prices	Index of volume
	Million £	1935=100	1935=100	Million £	1935=100	1935=100
1936	848	105.3	106.5	441	101.9	101.5
1937	1,028	120.3	113.9	521	110.2	111.1
1938	920	112.8	107.9	471	112.1	98.6
1937—						
1st quarter	229.9	114.9	105.9	121.1	105.2	108.2
2nd quarter	254.2	120.9	111.2	130.1	109.2	112.0
3rd quarter	258.5	124.5	109.8	134.4	113.1	111.6
4th quarter	285.3	120.6	125.2	135.7	113.2	112.7
1938—						
1st quarter	245.2	117.7	110.2	120.9	113.9	99.7
2nd quarter	224.4	113.3	104.8	112.3	111.9	94.3
3rd quarter	221.5	111.2	105.3	113.5	111.7	95.5
4th quarter	229.3	108.9	111.4	124.2	111.1	105.0

The comparative stability of British foreign trade in the last nine months is well shown by these figures. The last quarter of the year brought a, mainly seasonal, increase in the volume of both imports and exports. The increase in the volume of imports was entirely due to an expansion in the quantity of foods imported, the quantity of raw materials and of manufactures imported having changed very little in the last half of the year; the rise in exports was caused by an increase in the volume of manufactured exports. The stability in the average price of British exports was maintained throughout the whole of the latter nine months of the year; as the average price of imports has declined more rapidly than that of exports, it appears that British conversion costs have shown a further increase in the past year.

Trade Disputes in 1938.—The number of trade disputes begun in 1938 showed a considerable reduction compared with 1937, but, with the exception of that year, was the highest since 1929. Most of the disputes, however, involved only a single firm; as the table shows, the

THE BANK AS
EXECUTOR

This is one of the many services which

**BARCLAYS
BANK**

LIMITED

renders to its customers.

Full particulars may be obtained from any Branch or from
THE TRUSTEE DEPARTMENT
37 KING WILLIAM STREET, LONDON, E.C.4
27 REGENT STREET, LONDON, S.W.1

duration in working days of all disputes was far smaller in 1938 than in 1937:—

	No. of Disputes beginning in year	Thousands of Persons involved in Disputes beginning in year			Duration in million working days of all disputes in progress in 1938
		Direct	Indirect	Total	
1929	431	493	40	533	8.3
1930	422	286	21	307	4.4
1931	420	424	66	490	7.0
1932	389	337	42	379	6.5
1933	357	114	22	136	1.1
1934	471	109	25	134	1.0
1935	553	230	41	271	2.0
1936	818	241	75	316	1.8
1937	1,129	388	209	597	3.4
1938	866	212	63	275	1.3

Only two disputes in 1938 involved more than 5,000 persons, the week's strike at the Austin aircraft works and a day's strike in the Welsh coalfield. The coal-mining industry continues to provide about two-fifths of all disputes and was responsible for about two-thirds of the number of persons involved.

Falling Butter Consumption.—Imports of butter into the United Kingdom in 1938 amounted to 9,509,000 cwts., an increase of less than 1 per cent. compared with 1937. As the table below shows, there was a decline in New Zealand supplies, so that imports from the Empire fell from 4,910,000 cwts. to 4,803,000 cwts.:—

U.K. IMPORTS OF BUTTER (000 cwts.)				
	1929-31 (Average)	1936	1937	1938
Australia	1,092	1,694	1,492	1,798
New Zealand	1,598	2,792	2,951	2,583
Other Empire	547	643	468	422
Total Empire	3,237	5,129	4,911	4,803
Denmark	2,330	2,172	2,256	2,365
Netherlands	105	745	717	712
Russia	287	412	273	...
Other Foreign	1,133	1,283	1,260	1,628
Total Foreign	3,855	4,612	4,506	4,705
Total	7,093	9,741	9,416	9,509

Imports from foreign countries increased from 4,506,000 cwts. to 4,705,000 cwts.; the complete absence of Russian supplies was more than counterbalanced by larger imports from the Baltic countries. A year ago, stocks of butter in cold storage reached the remarkably low level of 537,000 cwts., but they have gradually increased during 1938; stocks at December 31, 1938, were estimated by the Imperial Economic Committee at 1,536,000 cwts. Consequently, although imports of butter increased in 1938 compared with 1937, consumption has declined from about 9,583,000 cwts. to 9,290,000 cwts. The fall was no doubt due to the rise in butter prices during the first nine months of last year; the price of finest New Zealand butter was about 6 per cent. higher on the average of 1938 than in 1937. The corollary of this decline in butter consumption has been the increase in that of margarine. According to the Imperial Economic Committee, deliveries of margarine in the United Kingdom in 1938 increased by 13 per cent. of the 1937 figures to 4,166,000 cwts.

Shipping Freight Rates Steadier.—The deterioration on the tramp shipping freight market was arrested last

month. *The Economist* index of freight rates, given below, showed no change between December and January:—

The Economist INDEX OF FREIGHT RATES (1898-1913=100)						
	Average, 1913	Jan. 1938	Oct., 1938	Nov., 1938	Dec., 1938	Jan., 1939
European waters	110.0	124.6	110.5	108.0	109.1	107.4
North America	113.1	118.5	110.8	111.0	110.3	111.6
South America	123.4	110.6	117.2	116.0	113.2	110.4
India	106.3	142.6	112.7	108.1	106.4	108.6
Far East and Pacific	117.4	128.6	104.5	101.3	97.0	97.8
Australia	127.9	130.0	111.6	112.2	111.3	111.3
Total	116.3	125.8	111.2	109.4	107.9	107.9
1913 = 100	100.0	107.9	95.6	94.1	92.8	92.8

But, as the next table shows, the improvement was by no means general, a rise in freight rates on some routes having been offset by a fall on others:—

	Index No.	Inc. or Dec. Points		Index No.	Inc. or Dec. Points
Home trade	95.4	- 3.4	South America:—		
Bay—outwards	122.4	+ 1.3	Outwards	66.9	- 3.1
Bay—homewards	129.2	- 0.8	Homewards	153.9	- 4.5
Mediterranean:—			India—outwards	92.6	- 2.1
Outwards	76.0	+ 0.4	India—homewards	124.5	+ 6.4
Homewards	125.8	- 4.0	Far East, etc.	97.8	+ 0.8
North America	111.6	+ 1.3	Australia	111.3	...

As the volume of unemployed shipping tonnage remains comparatively small, freight rates would quickly respond to an expansion in the demand for carrying capacity. But the immediate outlook remains uncertain.

No Improvement in Commodity Prices.—The indices of wholesale commodity prices given below show little change during the past fortnight. *The Economist* indices for the prices of primary products in this country and in the United States are a shade lower. The more comprehensive indices for Britain, the United States, and Germany are unchanged, but the figures for France and Italy are slightly higher:—

SEPTEMBER 18, 1931 = 100									
The Economist Indices				Price of Gold (sterling)					
Date	British Complete Index (sterling)	Primary Products (sterling)	Price of Gold (sterling)	U.S.A., Irving-Fisher	France, Statistique Generale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsamt		
1936									
Dec. 30 1937	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4	
Dec. 29 1938	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0	
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	
April 27	121.4	137.8	127.5	164.3	116.9	139.0	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	
Aug. 3	119.2	138.0	127.1	167.2	117.4	144.6	142.4	97.5	
Aug. 31	116.5	133.5	125.0	168.6	116.8	144.9	143.6	97.3	
Sept. 28	116.2	134.8	127.0	173.0	116.6	146.0	144.2	97.0	
Oct. 26	116.1	134.9	127.0	171.6	116.6	147.8	145.1	97.3	
Nov. 23	114.3	132.6	126.0	175.7	116.7	148.7	143.8	97.7	
Dec. 21 1939	113.7	132.4	126.5	175.7	115.6	148.7	144.0	97.8	
Jan. 4	114.7	134.8	127.5	177.1	116.0	151.2	144.3	98.0	
Jan. 18	113.8	132.6	126.7	175.1	115.7	151.6	144.7	98.0	
Feb. 1	113.8	132.5	125.9	175.1	115.7*	152.7*	...	98.0*	

* These figures relate to January 25th. † Monthly average.
Details of the constituent series of *The Economist's* complete index for this country are given below:—

	Sept. 18, 1931	Feb. 2, 1938	Jan. 18, 1939	Feb. 1, 1939
(1927=100)				
Cereals and meat...	64.5	89.4	69.1	69.1
Other foods	62.2	59.6	57.2	58.2
Textiles	43.7	57.8	53.4	53.0
Minerals	67.4	94.7	91.3	91.1
Miscellaneous	65.8	79.3	75.0	74.6
Complete index	60.4	76.5	68.7	68.7
1913 = 100	83.1	105.2	94.5	94.5
1924 = 100	52.2	66.1	59.4	59.4

But while the price indices show little change from the figures for January 18th, they mask the fluctuations which took place in the interval. With a few exceptions, including wheat, prices fell last week owing to the pessimistic view taken by the markets of the political outlook, but they recovered this week on the relaxation of tension.

INDUSTRIAL REPORTS

Iron and Steel

Sheffield.—Business is slow to expand. Consumers appear to be fairly well stocked. Forward business is extremely quiet, and it is likely that the hand-to-mouth buying policy will persist for some time.

Basic steel billets are in limited request, but a slightly more active market exists for acid qualities. Wire rods are being fairly well bought, and there are steady inquiries for bright drawn steel. There is not much business in structural steel.

The iron and steel scrap market is showing some improvement. Heavy cast iron for the foundries is selling at 65s. to 72s. 6d. per ton, and heavy iron-free basic steel at 59s. per ton.

Middlesbrough.—Movement in the pig-iron market is slow, but further orders have been released this week and makers are still hopeful of a revival in trade. The output of foundry iron has not increased, but the demand for hematite iron is a little better.

Steel producers indicate that the

THE relaxation in political tension is expected to stimulate the flow of orders to a number of industries, especially textiles. The demand for house coal remains fairly active, and output is now not as much below the level of a year earlier as it was in December. The implications of the Anglo-German coal talks, which resulted in the settlement of "all points of difference," are discussed on page 263. The demand for iron and steel has shown little improvement, and many consumers are still content to cover only immediate requirements. The prospects of the electrical engineering industry remain fairly bright, for during the nine months ended December the Electricity Commissioners sanctioned the borrowing by Public Authorities (Joint Electricity Authorities, Joint Electricity Boards, and Local Authorities) of £17,527,628, against £12,371,117 during the corresponding period in 1937. In future the Electricity Commissioners will issue four-monthly statements of loans sanctioned.

Coal

Sheffield.—Demand is best for household fuel, stocks being heavily drawn upon. Although the demand for industrial steams is steady, the output of smalls is not fully absorbed. Electricity and other public utility concerns are, however, taking heavy deliveries. Brickworks are taking smaller consignments, and there are surplus supplies of coking smalls. Coke for central heating is a firm market, supplies being fully taken up. The demand for blast-furnace coke continues quiet.

Export trade shows no change, suppliers holding that the disparity between Midland and North-East Coast prices renders it difficult to arrange business without the aid of a subsidy.

Newcastle-on-Tyne.—The feature of the North-East coal market is the heavy demand for large screened steam coal, particularly in the Northumberland section, where the D.C.B. collieries are now quoting 19s. per ton for shipment February or March. The strength of the market is due chiefly to the domestic demand, there being very little new export business. The Durham market is steady, gas collieries being busy, but the coking and bunker sections are only moderately active. Patent oven coke is freely offered at minimum prices, but there are no buyers.

Glasgow.—The weather remains the chief factor in the Scottish coal market. Home demand continues strong, and although collieries are producing at capacity, not all requirements are being fully met. The call is mainly for domestic fuel; the collieries are heavily in arrears with deliveries, the better qualities being most scarce. All areas are benefiting from the high level of demand, and five collieries, usually engaged largely on shipment business, are sending substantial quantities to the industrial districts. With good overseas contracts on hand delays in securing supplies are frequent in both the inland and shipping branches.

This area and the Lothians seem to

LLOYDS BANK

LIMITED

Head Office: 71 Lombard Street, London, E.C.3

Chairman
THE RT. HON. LORD WARDINGTONDeputy Chairman
SIR AUSTIN E. HARRIS, K.B.E.Vice-Chairman
SIR FRANCIS A. BEANEChief General Managers
R. A. WILSON, SYDNEY PARKES
Joint General Managers
W. G. JOHNS, D.S.O., S. P. CHERRINGTON, L. A. STANLEY, G. D. GOLD

Statement of Accounts

31st December, 1938

LIABILITIES		£
Paid-up Capital	...	15,810,252
Reserve Fund	...	9,500,000
Current, Deposit, and other Accounts	...	398,852,662
Acceptances	...	2,931,181
Endorsements, Guarantees, and other Obligations	...	37,611,219

ASSETS		£
Cash in hand, and with the Bank of England	...	40,419,818
Balances with and Cheques on other Banks in the British Isles	...	17,228,950
Money at Call and Short Notice	...	30,563,485
Balances with Banks Abroad	...	2,557,083
Bills Discounted	...	40,955,247
Investments at or under Market Value	...	107,907,288
Investments in Subsidiary and Auxiliary Companies:—		
The National Bank of Scotland Ltd.	...	3,023,538
Lloyds & National Provincial Foreign Bank Ltd.	...	600,000
Indian Premises Company Ltd.	...	54,502
Loans and Advances	...	164,402,187
Other Assets and Accounts	...	8,952,255
Bank Premises	...	7,498,561
Liabilities of Customers for Acceptances, &c.	...	40,542,400

Offices throughout England and Wales, and others in India and Burma

AVAILABLE TO MANUFACTURERS—

ELECTRICAL ENERGY for
POWER, HEATING AND ALL INDUSTRIAL PURPOSES.
NORTH-EASTERN ELECTRICSUPPLY Co. Ltd.
Carlisle House, NEWCASTLE-UPON-TYNE
SITES FOR WORKS Apply to above address for particulars

position is slightly better; a good demand is being experienced for semi-manufactured steel, but the heavy steel departments, whilst busy on commercial orders, would welcome an improvement in the demand for shipbuilding material. Sheet makers are busy and the mills are fully employed. Orders for sections in connection with the A.R.P. shelters have not yet been placed.

The scrap trade remains quiet. Imports of iron ore into the Tees in January amounted to 105,000 tons, against 79,000 tons in December, 1938.

★

Glasgow.—The expected revival has not yet come, but as there are many important inquiries on the market an early improvement is looked for. Sheet-makers have been able to keep a large proportion of their plant employed; in addition to the A.R.P. orders they have booked considerable tonnages for the motor trade, while export demand has also shown some improvement. In most branches employment is steady, although new work is not so plentiful as desired and expected, but orders on books are sufficient for some weeks' regular employment.

★

Cardiff.—Domestic and export business in the tinplate trade remains inactive. The mills are operating at only just over 40 per cent. of capacity and forward commitments are estimated at about 2½ million boxes, equal to just over 20,000 tons. The heavier branches of the industry are relatively better employed, and some of the works are now busy manufacturing sheets for air-raid shelters. Prices are nominally unchanged. A meeting of the International Tinplate Cartel is to be held this month to consider the export trade position.

★

News from Abroad.—The demand for steel on international markets has remained quiet and, in some cases, has further declined. The hopes of better political relations, however, have created a more optimistic feeling.

Consumers' purchases are still confined to immediate requirements. In several Empire countries, however, the lower prices are gradually stimulating the appetite of buyers, particularly in British India, where consumption is said to be quite satisfactory. A large inquiry from Manchukuo has been taken up by the Cartel which assigned it to a Belgian producer, but a German group has nevertheless submitted an offer. A small but regular demand is coming from Scandinavia and Holland, and British orders for semi-finished products have recently contributed to a better situation in Belgium. South American business has remained difficult on account of competition from the United States.

Some more unofficial price reductions have been made by the Comptoirs which, however, concern only comparatively small tonnages.

A number of Comptoirs are examining the prospects of demand in connection with future price policy. Cartel export prices are based on gold, converted into sterling at a rate fixed from time to time. Although the sterling price of gold is now 75 per cent. above the former parity, Cartel prices are still converted into sterling on the basis of an increase of 67.5 per cent. in the

price of gold. Importing countries whose currencies are not related to sterling are thus able to obtain their supplies more cheaply, but it is expected that the conversion rate may soon be raised to conform to the actual sterling-gold ratio.

The recently formed international cold-rolled hoop Cartel has fixed uniform basis prices and extras. Quotas have been based on exports during the first half of 1937.

Textiles

Cotton (Manchester).—The tone of the market has been slightly better, partly owing to the relaxation of political tension. Some buyers who have been extremely cautious for several weeks are now less reluctant to place orders with producers. Turnover, however, has not shown much expansion.

Only minor fluctuations have taken place in raw cotton prices. It seems probable that legislation will be passed in the United States to enable supplies to be released on a freer scale, but the authorities will not take any action which is likely seriously to depress prices.

The yarn market remains dull. A few more orders, however, have been secured in coarse American counts. Home users of Egyptian yarns have purchased sparingly, but some special contracts have been put through for the manufacture of thread.

Buyers of piece-goods have been anxious to keep in touch with prices and manufacturers have given out numerous quotations, but buying has been very irregular. Export demand continues disappointing. Some leading home trade buyers have been more inclined to make replacements, and in certain directions delivery instructions against old contracts have been received on a freer scale. Further Government contracts have been given out in fine and heavy materials.

★

Wool (Bradford).—The first series of Colonial sales in London will end on Friday; it has been well supported by both the home and Continental trades, although prices have shown a decline compared with those realised at the preceding auctions. Merinos have lost a little ground, while crossbreds generally are 1d. per lb. (in the grease) cheaper than at the last sales.

In consuming centres there is little or no improvement as regards demand for yarns and piece-goods; there has been little change in machinery activity. The mill which is running full time in the West Riding is the exception rather than the rule. Many mills are running about 75 per cent. of their machinery, and even then profits are exceedingly small, if they exist at all. The trade is missing export demand, while an increasing quantity of very cheap imitation woollen and worsted cloths is being imported from the Continent.

THE COMMODITY MARKETS

THE commodity, like the security, markets have been swayed by politics during the past fortnight. Wheat, characteristically, rose, while many other com-

modities fell, in price with the growing pessimism last week. After Herr Hitler's speech the movement was reversed. The prices of wheat and raw sugar tended to decline a little, while the markets in non-ferrous metals, rubber and linseed oil showed a slight improvement.

But if the downward trend in the prices of primary products has been reversed, the improvement has not yet gone very far. Moody's index of the prices of commodities sensitive to changes in market psychology (December 31, 1931 = 100), for example, rose from 142.6 to 142.9 during the week ended last Wednesday.

Metals

Copper.—The copper market was easy in the earlier part of the week, owing to the uncertainty regarding Herr Hitler's speech. Later, however, the price recovered and standard cash closed on Wednesday at £42 16s. 3d. per ton, a net gain of 11s. 3d. on the week. Production outside the United States is now again below consumption and the American producers are also curtailing their output. Apart from the political position, the trend of prices will be chiefly determined by the outlook for American consumption. If this shows the expected improvement in the next few weeks and the political position does not deteriorate the copper price will soon be back to £45 per ton.

★

Tin.—The price of tin fluctuated widely this week. On Thursday of last week the price fell temporarily to £208 15s., but during the past week it recovered to close on Wednesday at £216 per ton and thus showed a net gain of £2 15s. on the week. The forward price, on the other hand, has now fallen well below the cash price for the first time for twelve months. On Wednesday the "backwardation" was as high as £1 5s. The cause of the wide fluctuations and the revival of the backwardation was the uncertainty regarding the position of the buffer pool, which caused speculators to sell heavily. So far the pool has not sold any metal, so that there is a danger that the tin price will be vulnerable in periods of political uncertainty. Moreover, the failure of the pool to sell may force the I.T.C. to keep the quota for the second quarter of the year at 35 per cent. As the buffer pool quota (10 per cent.) will have to be dropped by March 31st this maintenance of the 35 per cent. level would actually mean a 10 per cent. cut in the quotas. According to the International Tin Research and Development Council, the world's tin output reached 148,000 tons last year, against 208,300 tons in 1937. Apparent consumption totalled 152,000 tons in 1938, against 198,700 tons in 1937. According to Messrs A. Strauss and Company, Limited, the visible supply of tin increased by 3,394 tons to 32,771 tons in January. New supplies, at 8,708 tons, showed an advance of 2,269 tons on the month, while world deliveries, at 7,742 tons, were 1,964 tons higher than in December. The rise in the visible supply was rather bigger than expected. As, however, a great part of the higher stocks was the result of

(Continued on page 273)

COMPANY MEETINGS

LLOYDS BANK LIMITED

REVIEW OF A DIFFICULT BANKING YEAR

LIQUID POSITION MAINTAINED

BRITAIN'S STRONG MONETARY SITUATION

FAVOURABLE COMPARISON WITH 1914

LORD WARDINGTON'S ADDRESS

SIR FRANCIS BEANE

The eighty-first ordinary general meeting of shareholders was held, on the 27th ultimo, at Southern House, Cannon Street, London.

Lord Wardington (Chairman of the bank) presided.

The notice convening the meeting having been read by the secretary, and the auditors' report by Mr F. S. Tull (Price, Waterhouse and Company),

The chairman, in moving the adoption of the directors' report, said:—My Lords, Ladies and Gentlemen,—Before reviewing the results of the year's working, as exemplified in our figures, there are one or two matters of domestic interest to which I would like to refer, and I presume you will, as usual, wish to take as read our report and balance sheet.

THE DIRECTORS

Two of our directors have either retired, or are not seeking re-election. Sir Edwin Stockton, who joined our board in 1923 and retired last month owing to ill-health, brought with him to our councils a wide knowledge of Lancashire business conditions, and as a director of the London, Midland and Scottish Railway Company, of the London and Lancashire Insurance Company, of the Manchester Ship Canal, and, in addition, of several other companies, as also as ex-president of the Manchester Chamber of Commerce, he could rightly be described as a thoroughly representative man of the North-West portion of the country.

Mr G. A. Harvey came to us on our amalgamation in 1918 with the Capital and Counties Bank, Limited, of which he was a joint general manager. At that time he had already had forty-eight years of banking experience, and now that he has decided not to seek re-election he can have the satisfaction, vouchsafed to few people, of being able to look back upon no less than sixty-eight years of active and useful banking service. To both of these gentlemen you will want to offer your grateful good wishes on their retirement.

TRIBUTE TO MR ABELL

One other retirement I must also mention with the greatest regret, equalled only by our gratitude, not merely for his great service to the bank, but also for the high standard which he has set both in our own bank and in the City. Mr Abell retired from the post of chief general manager at the end of the year. The details of his career since he first began banking in the Worcester City and County Bank in 1893, and the success and ability with which he has filled various positions until he attained the highest executive office of chief general manager, outstanding as they are, are not so important to my mind as the respect and regard which he universally gained and deserved throughout the whole of his active business life. This is not only what might be called an interested and partial opinion of my own, but I am convinced it is shared by all his colleagues in the bank, by our customers, and by those in financial circles generally. The City cannot have too many men of the character and ability of Mr Abell. Our regret at losing him as chief general manager is tempered by the satisfaction we feel in gaining him as a director. He was elected to the board on his retirement, and you will have an opportunity in a few minutes of showing your gratitude to him for his past services by confirming that election. To fill his place we have appointed Mr R. A. Wilson and Mr Sydney Parkes as chief general managers, and with all confidence we wish them every success in carrying out the responsible duties of their high office. This is perhaps not an inappropriate moment to congratulate Mr Wilson on the recognition of his banking services and ability by his re-election for a second year as president of the Institute of Bankers.

BALANCE SHEET

If you will now kindly turn to the balance sheet you will find the figures not greatly changed as compared with those of 1937, and I shall only draw your attention to some of the more important.

To take the liabilities side first, the total due on current, deposit and other accounts has been comparatively well maintained at a figure showing a reduction of £12,000,000 in the year. This decrease is not due to any loss of foreign deposits, because, as I told you when we last met, we refrained from offering unduly competitive rates for this class of deposits, believing them to be a not unmixed blessing either to ourselves or to the country, owing to their fleeting character, which rendered them liable to become an embarrassment to us and the exchanges if they were hurriedly withdrawn. The reduction under this heading is due to two principal causes. In the first place to the amalgamation of a large group of accounts which previously figured on both sides of our books, as overdrafts on the one hand and credit balances on the other. The net figure alone is now shown, causing a contraction on both sides of the balance sheet. The remaining part of our reduction is widespread over our system, and the balances have been withdrawn for investment, or in search of a higher return of interest than that which we felt justified in offering.

ENDORSEMENTS, GUARANTEES AND OTHER OBLIGATIONS

The only other item amongst our liabilities worthy of special remark is that under the heading of endorsements, guarantees and other obligations. This shows the large increase of nearly £12,750,000; and is almost entirely due to forward exchange operations. These transactions have been undertaken on behalf of our customers, or correspondents, whose liability appears on the other side of our balance sheet. As far as we know these represent legitimate operations arising out of genuine commercial transactions, but, as you are doubtless aware, we and all other banks are tightening up our investigation of these operations at the request of the authorities, with the object of eliminating any obligation undertaken for purely speculative purposes. They are in any case an indication of the present unsettled state of international affairs which we all so earnestly deplore.

BRITISH, COLONIAL AND FOREIGN BILLS

On the assets side of our balance sheet, the liquid assets of cash, money at call, etc., bear very much the same proportions to our deposits as they did last year, but you will be glad to notice the welcome increase of £3,000,000 under the heading of British and Colonial and foreign bills.

Our investments show a decrease of £6,000,000, and this is due to two main causes. The larger part is the result of actual sales, or

repayment of investments reaching maturity or drawings for payment, and a substantial sum has been taken from the interest received on those which were bought at a premium, in order to write them down to par by the first maturity date. This, no doubt, you will agree is a wise and conservative proceeding, although it is done at the expense of our profit figures for the year. The remainder of the decrease as compared with last year is caused by the ordinary process of writing down those investments, the market price of which has fallen since last year. I shall have some more to say on this point later on.

LOANS AND ADVANCES

Loans and advances, the most important item of our assets, show a reduction of over £6,000,000, which undoubtedly is a disappointment, and if those who insist that banks should be forced to increase their credit facilities can tell us how this can be done, in the absence of willing and credit-worthy borrowers, no persuasion, let alone force, would be required to induce banks to comply. They would be only too glad to see a keener disposition on the part of the public to take greater advantage of the credit facilities we are anxious to give.

MONETARY EXPANSION

This argument on the part of our critics is a striking instance of the neglect which theoretical economists so often give to psychological factors. Everything may point to the desirability of increased loans. It may seem plain that it would put more money into circulation, increase the purchasing power of the public, and be a stimulant to trade, but the maintenance of cheap money and monetary manipulations, and other devices to encourage borrowers and greater spending, fail in their object if the public refuse to take advantage of the opportunities offered to them.

PSYCHOLOGICAL FACTORS

An individual may have a bulky roll of notes in his pocket, or a firm may have large resources at its disposal, either in the shape of credit balances or the offer of loans, but they will not buy to-day if they think they can buy cheaper to-morrow, neither will they embark on new enterprises if they do not feel confident that they have a fair chance of conducting them profitably, and so the day of improvement is indefinitely postponed. As Lord Stamp put it in a recent address, the horse of economics is like his counterpart in the animal world; you can lead him to the water, but you cannot make him drink if, either for good or bad reasons, he is disinclined to do so.

Apart from this neglect of psychological factors, those who advocate the doctrine of monetary expansion as a panacea for any recession in business are not always happy in the moment which they choose for putting forward their views. The recession which began in 1937 and evoked the usual demands for increased expansion, occurred, as a matter of fact, at a time when monetary conditions had been kept easy, bankers' deposits with the Bank of England averaging nearly £13,000,000 higher in the first half of 1938 than in the corresponding period of 1937. Further, it is incorrect to assume a too automatic and rigid association between bankers' cash and other assets, which, in fact, does not exist and which it is not practical to attain. The banks have had both the means and the will in these difficult times to give both industry and the stock market all the support considered safe and expedient which was asked for.

U.S.A. EXPERIENCE

The example of the United States of America indicates the dangers and difficulty of the policy which it is suggested we should follow. There the reserve balances of the commercial banks expanded from 1933 to 1936 in excess of current commercial requirements. Excess reserves piled up until the total of reserves was double legal requirements. In 1936 the authorities used their power to vary legal reserve requirements to increase them by half; but this still left a large excess. Then the rise in prices, which it had been the object of this policy to assist, suddenly, under the impulse of re-armament plans, showed signs of running away. To check a dangerous expansion, reserve requirements were raised again. But it is not easy to time intervention in market movement of this kind, and the sale of securities by the banks in order to comply with the new reserve requirements came just at a time when security prices were weak and needed support. It is easy to be wise after the event; but it would seem that either there was a latent danger in the policy of

allowing the cash resources of the banks to outrun current requirements and the curtailment should have been applied earlier, or that the movements in the prices of commodities and securities do not lend themselves to alternate stimulus and control by credit expansion and contraction so readily as our advisers would have us believe.

PRESENT CONDITIONS

It should be observed that our conditions now are not the same as conditions in 1932, and there is no assurance that a repetition of the 1932 experiment would have identical results. In 1932 a series of political changes had led to a revival of business confidence which encouraged the use of money; there was an enormous opening for the employment of cheap long-term capital in housing and construction, the only form of capital outlay in which interest rates are of decisive importance; and the conversion of the largest outstanding Government obligation made possible an immediate and large adjustment in interest rates. To-day the political outlook discourages investment; the demand for new houses is waning, and there is no scope in present levels for a sudden and large further reduction in interest rates.

This is a matter of special concern for the banks, because if we were pressed, for instance, into taking up large issues by local authorities for public works, as has been suggested, our investment portfolio, vulnerable as it already is, would become a great deal more so. In times of crisis our investments are of very little use to us in meeting heavy withdrawals of deposits. It is impossible to sell any important amount at any price at such times, and we are also faced with the problem of providing for depreciation. In the interests of our depositors, therefore, quite apart from our shareholders, it would be improper to increase much further our already large proportion of investments to deposits. It has been estimated that the clearing banks must have seen a temporary depreciation of their investments last September of over £40,000,000. It is only natural, therefore, that bankers should hesitate in making any considerable addition to their vulnerability in this respect under existing conditions.

This may seem somewhat of a digression from the subject of the amount of our loans, but I think you will agree that what I have said has some bearing on the matter.

ADVANCES TO AGRICULTURE

Under some headings in our advances we do see a tendency to increase. Those engaged in agriculture, though they are borrowing less than they did a few years ago, have taken slightly more from us this year than last, and again I must pay a tribute to the farming community for the remarkably small amount of bad debts which we have suffered under the heading of agriculture. They are, as usual, the largest borrowers of all the categories into which we divide our advances, and considering the many difficulties of which they have been the victims, our comparative immunity from bad debts on their account is greatly to their credit.

"Banking, Insurance, and Finance" show a substantial rise, and in the categories of "Engineering," "Public Utility," "Shipping and Shipbuilding," "Local Authorities," "Brewing and Distilleries," we see welcome increases, but they are more than offset by falls, particularly in the class entitled "Iron and Steel," with somewhat smaller decreases in "Theatres, Hotels, etc.," "Miscellaneous," "Silk, Linen, Hosiery," "Stockbrokers," and "Corn." Our average overdraft in all categories, comprising 198,938 accounts, comes out at £822.

PROFIT AND LOSS

In our profit and loss account, and in our report, you will notice the simplified wording which at our last meeting I told you we intended to employ. In its old form it was very cumbersome, and I think it can be taken for granted, without being specifically stated, that our profit figure has been ascertained after payment of such necessary items as salaries, pensions, staff bonuses and allowances, the annual contributions to staff funds, rebate, income tax, etc. The final figure of our profit and loss is £127,000 less than last year, but in a period of reduced loans and turnover, and, on the other hand, of increased costs, such as National Defence Contribution, and tens of thousands spent on Air Raid Precautions, which latter we devoutly hope will not be a recurring item, I think we may be justified in thinking that a sum of £1,705,000 is not unsatisfactory.

AN ANXIOUS YEAR

Well, ladies and gentlemen, these are the figures representing the result of our trading during a year which none of us is likely to

ABNORMAL DEMAND FOR CURRENCY

There was, it is true, an abnormal demand for currency, but this demand was not due to any feeling of panic.

On the contrary, the general public behaved with exemplary calmness. What happened was that emergency A.R.P. expenditure, the mobilisation of the Fleet and the anti-aircraft division of the Territorial Army, and the special currency needs of those who were sending their families away to the country, all meant that additional notes were required. Also we, in company with the other banks, felt it advisable to reinforce our local currency reserves throughout the country, for had war broken out railway and other communications might have suffered from air attack. But the real point of contrast is this. In 1914, a new paper currency had to be created in order to satisfy the war-time demand, and the banks remained shut for three days while the currency was improvised. Last September, on the other hand, the big increase in the note circulation took place entirely automatically and with no disturbance at all.

EXTERNAL FINANCIAL RELATIONS

From our internal currency position I pass next to our external financial relations. Here the first point of contrast is that we were not faced once more with the 1914 problem of outstanding bills accepted in London on behalf of overseas clients. There was no need for the bank to devise a scheme of putting such bills into cold storage. There were various reasons for this contrast. One of them is the regrettable fact that international trade has fallen to a low ebb, and it has been common knowledge that for many years past the London Discount Market has been dealing in Treasury bills rather than in commercial bills.

Secondly, there is the fact that many bills in the London market have since the crisis in 1931 been subject to the various standstill schemes. These bills were already, in a sense, in cold storage long before the September crisis became imminent. To that extent, emergency arrangements were already in existence. Also the majority of London houses interested in these bills have for a long time past so ordered their affairs that even if the bulk of the standstill bills were not met, no serious difficulty would have arisen. Granted, therefore, the fact that the outbreak of war would have meant the sudden disappearance of some of the standstill schemes and a complete and final loss on the bills covered by such schemes, even then there would have been no serious new problem to be solved.

MOVEMENT OF FUNDS

Last year's anxiety over our external position arose in quite a different way. For years past a mass of floating unemployed capital has been constantly shifting from one centre to another, the motive behind the migrations being generally a search for safety rather than a desire for profit. Much of this money had found refuge in London. So soon as the possibility of war emerged it began to flow to other centres, and, if war had broken out, or even had the crisis been prolonged, the stream might have developed into a torrent, and even as it was a considerable strain was put upon the Exchanges. We were, however, in a much stronger position to protect ourselves. In contrast to 1914, when the Bank of England only held £37 millions of gold, with, perhaps, £130 millions of gold coin in the pockets of the public and the tills of the banks, last August we were in a very strong position. On March 31, 1938, when they were then at their peak, our total gold reserves, valued at the then current market price of 140s. per ounce fine, were no less than £835 millions. The Bank of England's own reserves valued at 140s. came to £538 millions, while the Exchange Equalisation Account—a new factor since 1914—held £297 millions. Although in defending sterling we lost nearly £100 millions of gold during the autumn crisis, only minimum disturbance was caused to the banking system, or the Money Market, as none of this gold came out of the Bank of England, but from the Exchange Equalisation Account, and so it did not lead pound for pound to a corresponding contraction of the credit basis.

THE STERLING-DOLLAR RATE

The past year has seen a fall in the sterling-dollar rate from round about \$5.00 to round about \$4.65. This fall is a matter for regret, as bringing to an end for the time being the comparative stability which had been established after the disturbed period 1931-34, when at one time it had been as low as \$3.23. But it took place without weakening the friendly relations which existed between the parties to the Tripartite Agreement, which means that it was recognised as being due, not to any deliberate policy of depreciation, but to causes which were not under the control of our monetary authorities. I

forget. It was a year of deep anxieties, and within an ace of being a year of tragedy. Those anxieties have not yet been wholly removed, in spite of the great efforts made by the Prime Minister and his colleagues, and even those who regard the future with greater optimism than some others must feel that now is the time to review the situation in order to discover, and if possible remedy, the weak points in our defensive armour. Political and military deficiencies, however much the financial and commercial situation may be affected by them, are outside the scope of any appropriate comment at our annual meeting, but I think it might be not without interest to see how our financial situation has stood the strain, and what lessons we ought to have learned.

COMPARISONS WITH 1914

Perhaps the most instructive line of approach is for me to compare shortly the events and possibilities of last September with those of similar anxiety in August, 1914. My chief purpose is to show that in many ways our banking and monetary system was both much stronger and more elastic last September than it was at the outbreak of war twenty-four years ago. On the other hand, this ought not to delude us into thinking that no weaknesses were revealed by the recent crisis. In August, 1914, we had a currency almost entirely of gold. Gold sovereigns were in circulation. The Bank of England was bound to redeem its notes in gold; the fiduciary issue was limited to £18,000,000, and the Bank was bound to buy and sell gold on demand. At the same time, the Bank's gold reserves on July 29th only amounted to £37,000,000. There was thus a real danger of a rapid exhaustion of the Bank's gold reserves, either through an increased demand for currency by the public or else through a transfer of funds abroad, with its consequent reaction on the exchanges. The problem of meeting the public's increased currency needs was met by the creation of Treasury notes.

THE TREASURY NOTE ISSUE

These had to be hurriedly improvised, and, incidentally, the banks were empowered to borrow Treasury Notes up to the limit of 25 per cent. of their deposit liabilities. Comparatively little use was made of this facility, but the fact that it was available gave instant relief and at the same time checked any tendency to withdraw deposits. Ultimately the Treasury issue was taken over by the Bank of England on behalf of the Treasury in 1928. At the same time the fiduciary note issue was established at £260 millions (compared with £18 millions in July, 1914), but with the very important reservation that the limit could either be expanded or reduced under defined conditions. After being reduced to £200 millions, with a seasonal increase of £30 millions over last Christmas, we have seen within the last few weeks how it has been increased to a total of £400 millions.

The next problem arose from the fact that large credits had been issued by banks and accepting houses to their clients all over the world. Failure to meet these bills on maturity would have involved the discount market and the whole British banking system in serious trouble and loss. After a temporary moratorium it was arranged for the Bank of England to take over approved pre-moratorium bills without recourse to the holder, and to hold the bills in cold storage until the end of the war. The Government guaranteed the Bank against loss, and the acceptor who was liable for payment of the bill was charged interest at 2 per cent. over Bank rate.

STOCK EXCHANGE PROBLEMS

Another series of important problems arose in connection with the Stock Exchange. At the end of July, 1914, there were many open positions on the Stock Exchange, and a large number of these were financed directly or indirectly by the banks. As a consequence the Stock Exchange remained closed from July 31, 1914, until the beginning of 1915, and minimum prices were fixed for most first-class securities.

These are only a few of the problems and the methods of meeting them which arose in 1914. If we pass on to September, 1938, the first point which springs to light is the far greater elasticity of our first point which springs to light is the far greater elasticity of our first point, monetary and banking system compared with that of 1914. First, for good or for evil, we were no longer on the gold standard, gold is not now in circulation, and our note issue, as I have already mentioned, has been rendered very much more elastic, and the improvisations of 1914 were unnecessary last September.

emphasise the fact that the fall was not due to deliberate policy, because there were voices raised in favour of the deliberate depreciation of sterling in terms of dollars, on the ground that sterling was "over-valued" and that this over-valuation constituted a heavy handicap to British export industry.

Is it not time that the fallacy was realised of explaining the course of British trade with the whole of the rest of the world by reference exclusively to the exchange rate of sterling on one other currency, viz., the dollar? Sterling may be over-valued, and this may be a cause of the recent excess of imports over exports; but the over-valuation is presumably in relation to the currencies of the countries from which the imports come and to which exports have declined; and the United States is only one among a number of these. Most of the Empire and sterling area currencies have been maintained at a discount in terms of sterling ever since the great devaluation movement of 1930-33. How is it proposed that this discount should be removed? By the English monetary authorities buying and holding of Japanese yen, Argentine pesos, Swedish kronor, or even Australian and New Zealand pounds? If this is not proposed, what is?

A FALLACY DESCRIBED

It is a fallacy to explain the British trade balance by reference to the sterling-dollar rate; it is equally fallacious to explain the sterling-dollar rate by reference exclusively either to British or to American foreign trade. The sterling-dollar rate depends on the aggregate of transactions that take place between the sterling area as a whole and the dollar area as a whole, and of these transactions only a fraction are trade transactions. In recent years, as everyone in touch with exchange markets knows, the sterling-dollar rate has been determined mainly by capital movements from Europe to America and vice versa.

Even in the figures given for Anglo-American trade there is a fallacy lurking. The "gigantic figure" of the excess of American sales to Britain over American purchases from Britain is given without any reference to the large amount of gold which has been sold by Britain to America. If Britain is paid with gold for exports to South Africa, and then exports the gold to America to pay for imports from America, can she expect—or should she wish—to pay for these imports with British exports again?

STOCK EXCHANGE PRECAUTIONS

So far as the Stock Exchange was concerned, there was one fundamental difference between August, 1914, and September, 1938. Twenty-four years ago war came as a complete bombshell, and the Stock Exchange was caught with many open commitments. By last September, however, the danger had been foreseen weeks and even months ahead, and indeed this apprehension was one reason why Throgmorton Street did not respond to the summer recovery in Wall Street. There were, thus, comparatively few open positions of a character which would have called for special treatment. Nevertheless, as the danger of war became more imminent, there was a general fall in prices, chiefly because no one cared to buy securities. A day or two before the culminating point of the crisis, therefore, minimum prices were fixed for a wide range of Government securities, and the Stock Exchange agreed of its own volition not to deal below those prices. This was a very desirable precaution. The intrinsic soundness of these securities was beyond question, and bankers and others had very properly been accustomed to accept them as collateral for loans. The fall in their market price was reaching the point where the margin of security was disappearing, and so a serious banking and credit problem was beginning to arise. Let me say at once that no banker would have thought of calling in his loans just because the value of his collateral was shrinking for reasons far beyond the borrower's control. Yet both bankers and their customers are grateful to the Stock Exchange for taking action which saved them from what might have been an embarrassing position.

As far as I have gone in this comparison between the two periods, the advantage generally, I think you will agree, is largely in favour of 1938, but in one respect we are not so well off as we were in 1914, as we have lost a large proportion of our 1914 reserve of American securities.

BRITAIN'S EXPORT TRADE

The question of our export trade figured in the speeches of nearly all bank chairmen to their shareholders last year, and it has lost none of its importance to-day. That it is still receiving considerable attention in Government and trade circles is indicated by what has been said in Parliament, by the increased export credit facilities

which have been foreshadowed, by the trade agreements entered into, particularly the important Anglo-American agreement, and by the deliberations of such bodies as the Federation of British Industries, and the Association of British Chambers of Commerce. In these days of fierce competition, with an ever-increasing tendency towards national self-sufficiency and industrialisation; when all countries are striving to sell and are becoming more unwilling to buy; when every kind of obstacle is placed in the channels of commerce, trade takes on the aspect more and more of commercial warfare, instead of being as it should be, an exchange of goods for the benefit of both parties. Anything that can be done, therefore, in the direction advocated by the President of the Board of Trade, whereby arrangements might be made between the industries in the various countries, including our own, which would allocate markets fairly, and enable everyone to do the maximum of trade on the soundest possible basis, would be greatly welcomed.

AN OBJECT LESSON

I see from the papers that the Locomotive Manufacturers' Association have provided an object lesson of this kind in the negotiations which they have opened up with Turkey. In these days, when the tendency in some quarters to hurl insults and challenges across the seas is so noticeable, I wonder if you will think it out of place at a bank meeting if I recall an ancient warning, which seems to me as modern and as truly appropriate to our international problems of to-day, whether political or economic, as it was nineteen centuries ago: "If ye bite and devour one another, take heed lest ye be not consumed one of another."

I now beg to move: "That the report just taken as read be received and adopted, and that, in accordance with the recommendation of the directors therein, final dividends be declared for the year ended December 31st last on the paid-up capital of the company of 6 per cent. actual on the "A" shares, and of 2½ per cent. actual on the "B" shares, payable, less income tax, on and after January 28, 1939."

The resolution was seconded by Sir Austin E. Harris, K.B.E., the deputy-chairman, and carried.

The retiring directors were re-elected (with the exception of Mr G. A. Harvey, who did not offer himself for re-election), and Messrs Price, Waterhouse and Company were reappointed auditors for the year 1939.

Votes of thanks to the directors for their services during the past year, to the staff for their excellent work, and to the chairman for presiding, were carried, and the proceedings then terminated.

GOVERNMENTS STOCK AND OTHER SECURITIES INVESTMENT COMPANY, LIMITED

BOARD'S DIVIDEND POLICY

The sixty-seventh annual ordinary general meeting of this company was held, on the 27th ultimo, in London.

Mr J. S. Austen (the chairman) first referred to the death of his predecessor in the chair, Viscount St. Davids. He said: Lord St. Davids became a director of this company 48 years ago and I became a director within a few months of that time. It was the time of the Baring crisis, and on a valuation the capital represented by our deferred stock had disappeared and part of the capital of the preference stock as well. However, we built up the company until the capital was intact and we were paying 10 per cent. on the deferred stock. Furthermore, from time to time we made a free distribution of stock. In the course of building up no class of investment contributed so much to our progress as our investments in South American railways. Then by a strange irony of fate those very railways which had served us so well suddenly turned and rent us. Railways, I think, are never likely to be worse than they are, and we can reasonably hope for an improvement, but it is very difficult to see how the railways can once more hold the position they formerly held.

In order to maintain our dividend we have taken £2,000 odd from the revenue reserve account. I say this in no apologetic tone, for in fact I rather glory in what we have done. This company lives largely on the dividends paid by other companies, and I claim that we set other companies an example. I always regard a reserve fund as something upon which you may call in times of trouble. If you do not, I can really see very little use in having a reserve fund at all. The report and accounts were unanimously adopted.

SUN LIFE ASSURANCE SOCIETY

RECORD NUMBER OF NEW POLICIES

SIR WILLIAM GOSCHEN'S ADDRESS

The general meeting of members of the Sun Life Assurance Society was held, on the 31st ultimo, at the Chief Office, 63 Threadneedle Street, London.

The Hon. Sir William H. Goschen, K.B.E. (the chairman), in the course of his speech, said: The year 1938 with its international crises has been a very difficult one, but nevertheless, as Chairman of your Society, I am glad to be able to report steady progress. The total new life assurance business for the year was rather more than 35,000 policies for Sums Assured exceeding £21,500,000, and although a small decrease of £350,000 has robbed us of a record for sums assured, we have scored with the number of policies, which is 1,500 more than the previous best, in 1937. Moreover, an analysis of the new business shows that we have also achieved a record in the amount of the sums assured secured under the Whole Life and Endowment Assurance classes. You will observe from the Report that the Funds of the Society have again made a substantial advance, from £43,000,000 to over £45,000,000.

Turning to the Revenue Account for the Life Assurance Business, you will see that the premium income is now nearly five million pounds and our interest income nearly one and a half millions. Low interest rates still prevail, and last year has had to bear the burden of an increase in the rate of Income Tax. The net rate earned on the Life Assurance Fund during 1938 was £3 18s. 7d. per cent., which is somewhat less than that earned in 1937, but still quite satisfactory.

On the other side of the Account, claims both by death and maturity naturally show an increase in amount, about £200,000 in each case. The claims by death are, however, well within the expectation, the ratio of the actual to the expected number being lower than in the year 1937, which was itself a very good year.

There is also an increase in surrenders, but bonuses in cash have fallen considerably, as is to be expected in a year following a distribution of profits.

REDUCED EXPENSE RATIO

You may remember that last year I announced that for the third year we had achieved a reduction in the "commission and expense" ratio, and I ventured to prophesy that the year 1938 would see yet a further fall. It is, therefore, gratifying to be able to tell you that for the fourth year in succession the ratio shows a decrease, and a very appreciable one. The Annuity, Sinking Fund and Accident Accounts need little comment. The Proprietors' Fund follows a normal course, and now stands at £729,000.

Turning to the Balance Sheet, the items on the Liabilities side need no explanation. There are a few points on the Assets side to which I might draw your attention.

One of the largest items among the Assets is £10,872,000 in British Government Securities, nearly 25 per cent. of the total. During last year we continued to reduce our foreign investments and they are now no more than 5 to 6 per cent. of our total Assets, while those in the British Empire are about 94 per cent. Railway and other Debentures show an increase of nearly £1,000,000, but there is little change in the relatively small amounts which we have invested in Preference and Ordinary Stocks and Shares.

You will recall that in 1937, a year characterised by great financial instability, the depreciation in our Assets was rather less than two per cent. The valuation made at the end of 1938 disclosed a further depreciation of a little over two per cent., a total of only four per cent. over the two years.

RECORD OF STABILITY

We may, I think, consider that this small rate of depreciation in two years of such general instability has amply justified our investment policy and provides evidence of the unchallengeable security offered by the Society to its policy-holders. I may also mention that the aggregate market value of our Assets exceeds the values at which they appear in the Balance Sheet by a considerable margin, thus providing a valuable reserve for the future.

That this record of stability with its guarantee of future security is appreciated by the public is evidenced by the very large amount of With Profit Assurance which is granted by the Society each year.

I have, as you see, confined my remarks solely to the Report and Accounts, and have tried to show you the Sun Life Assurance Society going steadily on its way notwithstanding the difficulties with which we have been confronted.

The report and accounts were unanimously adopted.

UNION BANK OF AUSTRALIA LIMITED

BURDEN OF TAXATION

The annual general meeting of the Union Bank of Australia, Limited, was held, on the 30th ultimo, at 71 Cornhill, London.

Major-General Sir John H. Davidson, K.C.M.G., C.B., D.S.O. (chairman of the bank), presided.

The Chairman, referring to the interchange of visits by members of the board and staff between this country and overseas and various changes in appointments among the higher officers in Australia, proceeded: As regards taxation, since last year an increase of 15 per cent. on the Federal income-tax rates has been made by Australia, primarily for purposes of defence expenditure. This is, of course, in addition to National Defence Contribution tax, which we pay for defence purposes on this side, and on which we get no Dominion relief for double taxation. As for New Zealand taxation, the position remains as I described it last year. The taxes there in the past year have absorbed virtually the whole of the profit derived from our operations in that Dominion. There is some hope that during the coming session of the New Zealand Parliament there may be adopted some change in the system of taxation of the banks. I calculate that for the current year the total taxes to be paid by this bank will amount to no less a sum than £250,000, which is greater than the net dividend we are distributing.

The Chairman, having given an exhaustive review of world conditions, and particularly of conditions in Australia, continuing, said:—

The balance-sheet total stands at £47,658,187, which shows little change on last year's total. There is a reduction of some £350,000 on the liabilities side caused by the fall of a like amount in deposits. On the assets side there is a fall of some £2,700,000 in cash and balance of remittances and drafts in transit, and this is accounted for by an increase of £2,350,000 in advances and the decrease in deposits already mentioned. The gross profits are up by over £61,000. On the other hand, expenses are up by some £71,000. The net profit is £244,682, and to this amount must be added £145,914 carried forward, making a total available of £390,596. We have declared a final dividend of 4 per cent., less tax (making 7 per cent., less tax, for the year), leaving £157,263, i.e. an increase of £11,349, to be carried forward.

The report and accounts were unanimously agreed to.

F. W. WOOLWORTH AND COMPANY, LIMITED

RECORD SALES AND PROFITS

The thirtieth annual general meeting of F. W. Woolworth and Company, Limited, was held, on the 27th ultimo, in London.

Mr W. L. Stephenson (chairman), who presided, in the course of his speech, said: The company has in 1938 reached a new high in sales and consequent profits. This is doubly pleasing when we realise that 1938 was by no means a boom year. The remunerative business enjoyed during the Coronation period of 1937 was only partially countered by improved Scotch business resulting from the Glasgow Exhibition. Later came the crisis, when we, in common with other shopkeepers, found the people, with gloom and uncertainty in their hearts, had little inclination to buy. Happily, as we shall always thankfully recall, this passed and trade resumed its normal course, with the result that by the end of the year we found that in our old stores we had made a gain in sales which, though small in percentage, represented a considerable volume in itself.

The net profit, after all expenses and depreciation, at £6,961,141, is an increase of £471,127, which represents a gain of 7.26 per cent. After the deduction of tax the profit is £4,929,395, an increase of £136,448, which represents a gain in real profit of 2.85 per cent.

Stocks of merchandise on hand, despite the considerable addition to selling space, are lower than at previous inventory. This reduction in stock was deliberately brought about and certain departments were permitted to run down, as towards the end of the year it became evident that some types of merchandise were easing in price. Our buyers are now in the happy position of securing advantages in their purchases of such goods which will in turn be passed on to the customer in improved value.

There have already been dividends on the preference shares and an interim dividend of 9d. per share on the ordinary shares. The directors now recommend that the available balance should be dealt with as follows: transfer to freehold building reserve, £100,000; transfer to reserve for staff benevolent fund, £110,000; payment on February 1st next of a final dividend of 1s. 9d. per unit, less income tax, on 30 million 5s. units of ordinary stock, £1,903,125; payment on the same date on the ordinary stock of 9d. per unit cash bonus, less income tax, £815,625.

The report was unanimously adopted.

GENERAL CONSOLIDATED INVESTMENT TRUST, LIMITED

DIFFICULT MARKET CONDITIONS

The forty-third ordinary general meeting of this company was held, on the 27th ultimo, in London.

Mr R. B. H. Ottley (chairman of the company) said that the company's general reserve account had been brought up to a figure of £50,000 by a transfer of £10,000 from the revenue account. The carry-forward, although lower by £590 than the amount brought in, was still substantial at the figure of £24,655. In the geographical distribution of their securities what little change there was to be observed tended to illustrate a general improvement of the list which it was the board's constant endeavour to achieve. The percentage of investments in the continent of Europe became 10.19, whereas twelve months ago it was 11.38.

Although gross income from investments showed a shrinkage from £106,836 to £99,802, this was in great part accounted for by the fact that in 1937 the company was fortunate enough to collect £2,700 in respect of arrears of cumulative dividend, whereas in 1938 only £350 was received under that head. For the first half of the year revenue was maintained at the high rate of the previous year; the reduction had all been experienced in the latter half.

The stupendous figures of expenditure which re-armament would entail would, of necessity, cast upon the nation a heavy burden, which might, however, in some measure be alleviated by the extent to which industry might derive benefit from its repercussions. How far the load could be laid upon the already heavily burdened shoulders of the taxpayer without bringing into operation the inexorable law of diminishing returns, or how far the day of reckoning might be deferred by State borrowing, must be a problem of the greatest perplexity to those who had to decide it.

If it were possible for the company to adopt any consistent investment policy, he suggested it would be to sell such foreign holdings as remained to them and intensify the course they had been following in the past four years of relying almost exclusively upon investments in Great Britain and the British Empire. No longer was geographical distribution of investment a criterion of strength. It was all the more pleasing, therefore, to observe the development taking place in British possessions abroad, particularly in Canada, where the mining industry, which exerted an important influence on the economic life of the country, continued to show steady improvement.

But in times such as these, any investment policy must be governed to a great extent by prevailing conditions, and it was increasingly difficult either to buy or to sell on the Stock Exchange even moderate amounts of securities without an entirely disproportionate disturbance of their market quotation. He had stated last year, and he repeated, that too much importance need not be attached to the figure of depreciation, which, in common with the experience of all investment trust companies, had risen during the past year from 4.8 per cent. to 12.4 per cent. That by no means indicated a shrinkage in the real value of their investments, but a shrinkage in the Stock Exchange quotation which had largely lost its significance, for it was true to say that at the prices quoted in the vast majority of cases, little if any stock could be purchased, or indeed sold.

Their company rested upon sure foundations and, in the absence of any major upheaval, stockholders need have no anxiety about their investments.

The report and accounts were unanimously adopted and a final dividend of 5 per cent., less tax, on the ordinary stock, making, with the interim dividend, 7 per cent. for the year, was declared.

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.

Enquiries should be addressed to the

Intelligence Branch, THE ECONOMIST
8 Bouverie Street, London, E.C.4

ASHANTI GOLDFIELDS CORPORATION, LIMITED

BONUS SHARE ISSUE

Speaking at the forty-second annual general meeting of Ashanti Goldfields Corporation, Limited, held on the 31st ultimo, in London, the chairman, Mr J. H. Batty, said that the share capital was £1,000,000, and shareholders had received a circular giving notice of a resolution to increase this by £250,000, bringing the share capital to £1,250,000. Of this, £200,000, or one million ordinary shares of 4s., was recommended to be distributed among shareholders, and a resolution would be put for their approval at an extraordinary meeting, immediately following this meeting, to authorise the directors to distribute same to the shareholders as a free bonus on the basis of one in five. The balance of £50,000, or 250,000 4s. shares, was being offered to shareholders at £3 per share, in the proportion of one for twenty shares held.

Income-tax reserve was £255,299 and the National Defence Contribution £47,336. The dividend equalisation account, £200,000, was to be capitalised to enable the directors to carry out the recommendation of a free share bonus of one in five shares to the shareholders. Sundry creditors, exploring account and investment reserve came to £285,376. This included the investment reserve, being profits on the sale of investments of about £155,000.

RECORD PROFITS AND DEVELOPMENTS

This year's profit, after providing for depreciation of £61,129, was £1,042,064, and again showed a record. After deducting income tax reserve of £24,000 and £46,000 for National Defence Contribution, £972,064 was available for distribution. Of this the company would have distributed £950,000. After providing £10,000 for the pension fund there would be a total balance carried forward of £112,425.

Expenditure during the past year was considerably heavier than usual, this being primarily explained by the cost of erecting the residues retreatment plant (now completed) and additions to the power plant.

Investments in other mining companies were £722,929, an increase of about £38,000, which was explained by taking up their share in the Bibiani new issue. They would be participating in the new issues of Amalgamated Banket Areas and Ariston Mine. The income from these investments was improving year by year.

REMARKABLE DEVELOPMENTS

There had been vitally important developments, especially at the bottom of the mine. This discovery, with the promise it implied that the reef would go down to the limits at which mining was possible, and the existence of the Obuasi South Shoot, made a more progressive programme possible to give an increase in the monthly output. These discoveries made the outlook much more promising than a year ago. The exposure on 29 level to date, by eleven cross-cuts, was in length 500 feet, with an average width of 19.5 feet and an average value of 38.4 dwts.; on No. 30 level, by eight cross-cuts, the corresponding figures were 350 feet, 18.6 feet and 50.9 dwts. In neither had they come to the end of the payable ore shoot, which, according to diamond drill indications on No. 29 level, they might expect to have a length of about 900 to 1,000 feet. These developments, in conjunction with payable discoveries on the Obuasi South Shoot, had revolutionised the outlook.

The main shaft had now been sunk to 31 level. A cross-cut would shortly be started to cut the reef, which was expected to be reached at, say, 500 feet. It might be possible to have this cross-cut through the reef in April. The sinking of the main shaft would in due course be continued to 35 level.

OUTPUT TO BE INCREASED

The consulting engineer had outlined a programme to bring the output within the next two years to 30,000 tons a month. The first step was the commencement last November of a new south shaft, mainly for developing the new South Obuasi Shoot; they were hoping this year to sink this shaft to 500 feet, and it would be continued to 1,800-2,000 feet. The site selected would enable the shaft to open up and work the Obuasi South Shoot from the surface and to tap the southernmost shoot on the Cote d'Or fissure and/or any other ore shoot which might be discovered further south on the lower levels. The addition of the new Obuasi South Shaft would make it possible, they hoped within two years, to increase output to 30,000 tons.

Ore reserves showed an increase of 239,176. They had now 1,834,289 tons of an average value of 21 dwts. On last year's output the reserve represented eight years' supply and on an output of 30,000 tons a month five years' supply.

The resolutions submitted to the extraordinary general meeting were duly passed.

BIBIANI (1927), LIMITED

INCREASED ORE RESERVES

Speaking at the twelfth ordinary general meeting of Bibiani (1927), Limited, held in London, on the 31st ultimo, the Chairman (Mr J. H. Batty) stated that the profit and loss account showed a net profit of £83,127, after writing off for depreciation £32,228.

The appropriation account showed that, after crediting the account with the profit of £83,127, there was available for distribution £170,469. Of this sum the directors recommended a dividend of 15 per cent., less income tax of 4s. 8d., which would absorb £75,000, leaving a carry-forward of £93,069.

The output for the year of a total of 136,220 tons of ore mined and treated gave a yield of 44,162 oz. This represented an increase of 6,617 tons and 1,546 oz., compared with the previous year. It was expected that the present output of about 12,500 tons would be maintained until the new treatment plant came into operation.

There was particular interest in the recent developments at No. 8

level south of the No. 1 shaft south. The southern ore body had hitherto been regarded as of lower grade than the average for the mine, but recent developments indicated, for the first time, the presence of a higher grade shoot in the main ore body there. Considerable importance was attached to this development. To the end of December a length of 200 ft. had been proved, having an average width of 24 ft. and average value of 11.4 dwts. per ton.

The Chairman felt sure that directly the new treatment plant—which had a capacity of 30,000 tons per month—was working satisfactorily, the consulting engineer would without delay recommend duplicating the plant.

The latest reports from the manager indicated that the new treatment plant should be practically ready for trial runs towards the end of May or early in June.

The ore reserves were in the region of 3,000,000 tons, with an average value of 7½ dwts. It would therefore be seen how highly satisfactory the ore reserve position was, and that the company would be justified in supplementing the output directly the new plant was proved.

The report was unanimously adopted.

INDUSTRIAL REPORTS—continued

unusually large deliveries to the buffer pool, the increase does not give reason for concern.

★

Lead and Spelter.—The price of lead closed on Wednesday 2s. 6d. up at £14 8s. 9d. per ton, while the price of spelter closed at £13 12s. 6d. per ton, a net gain of 3s. 9d. on the week. There was no new feature on the two markets, which benefited to a certain extent from Government orders. It is to be expected that an announcement regarding the British zinc duty will be made very shortly, a step which will be welcome, as it may provide the basis for new international discussions.

Grains

In spite of changes in political sentiment during the past week, the wheat market has been fairly steady and prices, where changed, are a little higher than a week ago. There has been a considerable trade in Australian wheat and the Soviet Government has appeared as a buyer for shipment to Vladivostok. The relative cheapness of wheat continues to affect the sales of other feed grains; the demand for both maize and barley has been slow and prices have tended to lower levels.

Other Foods

Provisions.—There was a sharp fall in the prices of all types of eggs during the week, due to the seasonal increase in supplies. The meat trade remains slow, demand being concentrated on chilled and frozen meat and home killed veal. The bacon market was firm with smaller supplies and prices were marked up by 5s. per cwt.

★

Colonial Produce.—The market for raw sugar was easier and quotations for prompt shipment tended to decline. Kenya coffees met with a fair demand, but other varieties were again neglected. Trade in all types of cocoa improved with a slight rise in prices, but demand for tea was irregular.

★

Fruit and Vegetables.—The usual seasonal shortage in green vegetables has been accentuated by damage caused

by floods and frost and prices rose sharply during the week. Supplies of potatoes continue large and prices for only the best lots are maintained.

★

ing of the International Regulation Committee on the 14th of this month.

Miscellaneous Commodities

Oils and Oilseeds.—These markets remain quiet, though the undertone is steady. The United Kingdom requirements of linseed have been met by Indian supplies and prices are unchanged. The price of Egyptian cottonseed has rallied from the low levels recorded last week, but trade is still slow.

★

Rubber.—The market was influenced by changes in political sentiment, which at one time caused a rise in the spot price to 7½d. per lb.; later, however, there was a reaction and prices closed on Wednesday at a little below this level. Little business is expected in the London market until after the meet-

Furs.—At the end of last week a short sale of Australian skins was held in London. The undertone of the sale was firm, but prices showed no change on October. A considerable part of the offerings was withdrawn, as sellers' limits were higher than the majority of buyers were willing to pay. This sale was followed on Monday of this week by the opening of the London general winter sales. The auction began as usual with the Hudsons Bay Company's offerings, and the tendency was very firm. Beaver showed a rise of 30 per cent. on October last; Persian lambs (South-West African) improved by 10-15 per cent. Musquash and otter were more or less unchanged, compared with October, but at this basis a substantial part of the offerings was withdrawn. The sale is well attended, both by British and foreign merchants, and the demand in general is quite good.

HOW RETAIL TRADE IS FINANCED

At any given moment millions of pounds worth of merchandise is exhibited in the shop windows and showrooms in thousands of wholesale and retail industries throughout the country. In the course of a short stroll through any main shopping street any idle shopgazer can run an envious or an appraising eye over thousands of pounds worth of different goods—all waiting to be purchased. Someone is the owner of all these riches piled up in such profusion in places like Bond Street, Great Portland Street, or the Tottenham Court Road, and whoever that owner happens to be, it is quite clear that an immense amount of capital is tied up in merchandise in the process of being sold, in goods on their way from the manufacturer to the final consumer.

The above is the opening paragraph to the first of two unusual and very informative articles which are appearing in the columns of THE FINANCIAL NEWS on Tuesday and Wednesday next, February 7th and 8th, under the general heading "How Retail Trade is Financed." In recent years the enormous multiplication of the more expensive sort of consumer goods—such as motor cars, furniture, radio, and electrical appliances—and the big widening of demand for them which has received such a stimulus from Hire Purchase facilities, have greatly complicated the whole distributive and financial structure. These two articles do not deal with the financing of the final stage—the ultimate sale to the consumer—but with the intermediate stage, or stages, from the time when the manufactured article leaves the factory. The first of these two articles deals exclusively with the motor industry; the second goes on to discuss the "intermediate" financing which takes place in the furniture, piano, and radio trades, as well as the household appliances industry. They make a two-fold appeal—to the people engaged in these trades and to the consumers of these products—and since the investor falls often into the first category, and always into the second, these articles, though a little off the beaten track, should provide interest and information for all investors.

THE FINANCIAL NEWS

(TWO PENCE DAILY)

On sale at all railway bookstalls and good newsagents everywhere

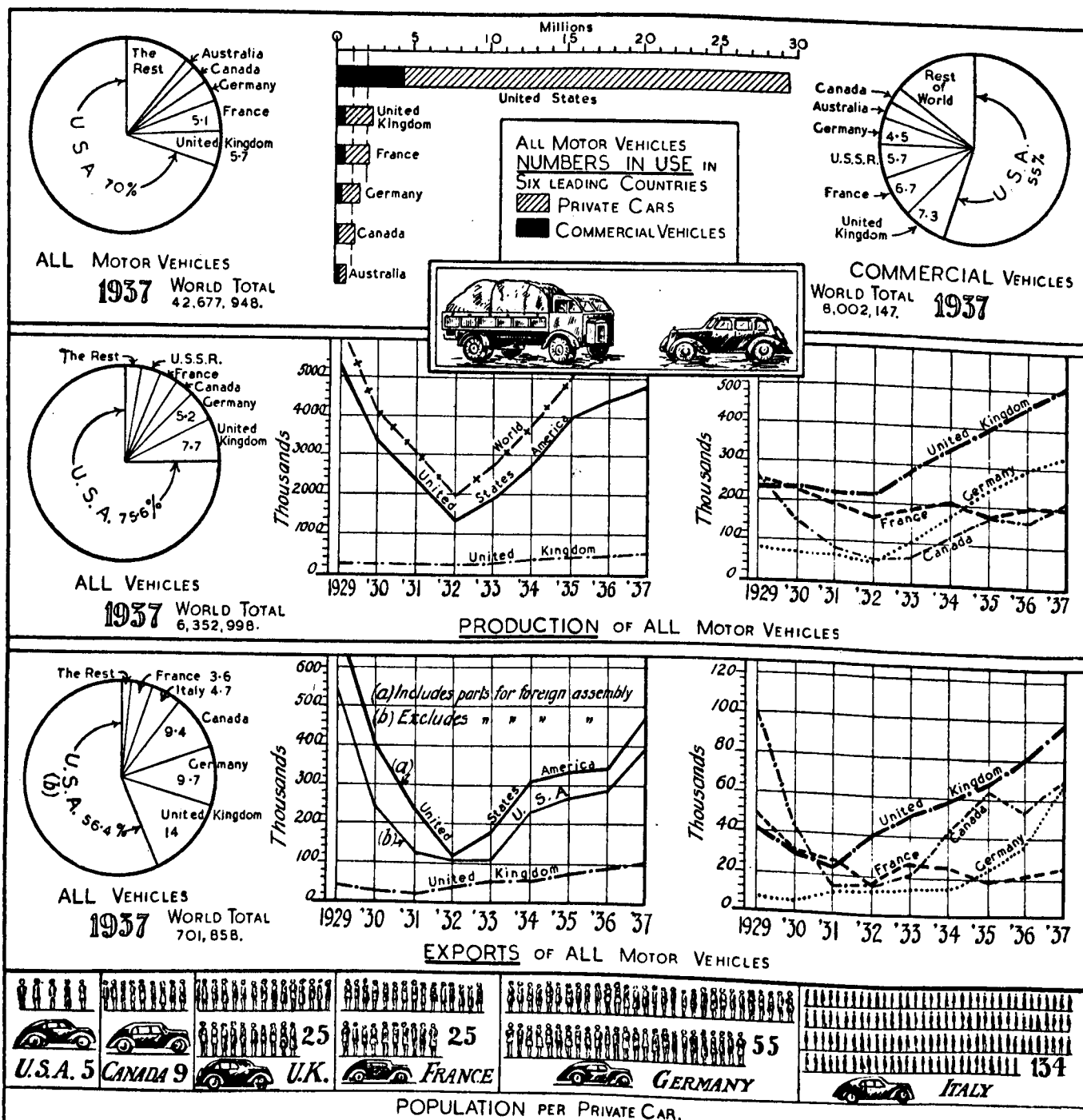
CURRENT STATISTICS

CONTENTS

	Page		Page
<i>The World's Motor Vehicles</i>	274	INVESTMENT	
FINANCE		Transport Receipts	279
Government Returns	275	London Active Securities and Yields	280
Bank of England Returns	275	The Week's Company Results	282
Overseas Bank Returns	276	Dividend Announcements	282
Bank Clearings	277	INDUSTRY AND TRADE	
Money Rates	277	Commodity Statistics	283
Exchange Rates	277	British Wholesale Prices	284
Imports and Exports of Gold and Silver... ..	278		

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

The World's Motor Vehicles



GOVERNMENT RETURNS

For the week ended January 28, 1939, total ordinary revenue was £42,796,000, against ordinary expenditure of £17,388,000. Thus, excluding sinking fund allocations and Defence expenditure from loans, the deficit accrued since April 1st last is £161,097,000, against a deficit of £92,437,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Jan. 29, 1938	April 1, 1938, to Jan. 28, 1939	Week ended Jan. 29, 1938	Week ended Jan. 28, 1939
ORDINARY REVENUE					
Income Tax	341,150	159,027	174,816	18,677	21,138
Sur-tax, etc.	62,000	26,570	29,230	3,220	3,060
Duties, etc.	88,000	74,240	62,090	1,960	1,440
Stamps	24,000	17,690	16,930	710	1,170
N.D.C.	20,000	189	15,520	41	670
Other In. Rev. Duties	1,250	930	1,000	120	60
Total In. Rev.	536,400	278,646	299,586	24,728	27,538
Customs	227,950	184,512	185,976	3,890	4,077
Excise	116,150	97,172	97,047	672	747
Total Cust. and Excise	344,100	281,684	283,023	4,562	4,824
Motor Duties	35,000	33,217	34,158	3,263	9,888
P.O. (Net Receipt)	8,670	11,600	9,690	Dr. 150	400
P.O. Fund.	2,400	25	1,160	160	140
Crown Lands Rec. from Sun. Loans	1,330	1,190	1,160	160	140
Misc. Rec.	10,500	11,412	10,008	224	4
Total Ordinary Revenue	944,650	622,869	643,191	32,789	42,796
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	61,000	64,160	2,500	2,000
Total...	1,025,092	683,869	707,351	35,289	44,796

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Jan. 29, 1938	April 1, 1938, to Jan. 28, 1939	Week ended Jan. 29, 1938	Week ended Jan. 28, 1939
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt. Payments to N. Ireland	230,300	194,442	196,787	298	409
Other Cons. Fund Serv.	8,900	5,945	6,581	428	607
Total...	239,200	200,387	203,368	726	1,016
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	61,000	64,160	2,500	2,000
Total...	319,642	261,387	267,528	976	1,016

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 unce 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 £181,950 to £2,633,719, the other operations for the week (as shown below, but excluding £5,250,000 issued under the Defence Loans Act and £255,000 issued to Sinking Funds) reduced the gross National Debt by £20,085,000 to about £8,347 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES IN DEBT	NET REPAYMENTS, ETC.
Pub. Dept. Adv. ... 1,760	Treasury Bills ... 21,310
	Nat. Savings Certs. ... 50
	N. Ad. Shipping ... 35
	P.O. and Teleg. (Money) Acts ... 450
1,760	21,845

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to January 28, 1939, are shown below:—

Ordinary Exp.	Ordinary Rev.
804,288	643,191
Eire issues ... 3,758	Eire receipts ... 10,000
Defence Loan issues ... 34,750	Gross borr. ... 197,620
Less issues ... 270	Less Sinkg. Fds. ... 7,745
Net borrowing ... 189,875	Net borrowing ... 189,875
843,066	843,066

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
Jan. 29	587.0	292.3	31.6	...	910.9	323.9
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	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
Dec. 3	517.0	445.4	49.5	...	1,011.9	494.9
" 10	507.0	465.3	46.7	...	1,019.0	512.0
" 17	500.0	474.2	51.5	...	1,025.7	525.7
" 24	493.0	495.3	52.1	...	1,030.4	537.4
" 31	488.0	497.6	45.8	5.3	1,036.7	543.4
1939						
Jan. 7	474.0	524.5	41.0	0.7	1,040.2	565.5
" 14	449.0	525.5	37.1	...	1,011.5	526.6
" 21	426.0	524.1	37.6	...	987.5	561.7
" 28	411.0	517.8	39.3	...	968.1	557.1

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1938					
Jan. 28	30.0	86.5	30.0	s. d.	18
Oct. 7	50.0	71.6	50.0	10	0.50
" 14	50.0	72.6	45.0	14	3.44
" 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	14	11.37
" 25	35.0	69.6	35.0	17	7.80
Dec. 2	35.0	74.8	35.0	17	11.03
" 9	35.0	68.8	35.0	19	2.10
" 16	30.0	70.6	30.0	20	0.79
" 23	35.0	62.9	35.0	22	0.45
" 30	35.0	74.1	31.0	13	8.88
1939					
Jan. 6	25.0	60.3	25.0	11	0.08
" 13	25.0	65.1	22.0	10	8.09
" 20	25.0	67.8	23.0	10	2.54
" 27	20.0	63.4	20.0	10	5.04

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On January 27th applications at £99 17s. 5d. per cent. for bills to be paid for on Monday, Wednesday, Thursday, Friday and Saturday of following week were accepted at about 18 per cent. and applications at higher prices in full. Applications at £99 17s. 6d. for bills to be paid for on Tuesday were accepted in full. £20.0 millions of Treasury bills are being offered on February 3rd.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Two weeks to:—		
Jan. 15, 1938	1,409,043	1,056,782
Jan. 14, 1939	1,350,563	1,012,922
Week to:—		
Jan. 15, 1938	713,189	534,892
Jan. 7, 1939	644,051	483,038
Jan. 14, 1939	706,512	529,884

BANK OF ENGLAND RETURNS

FEBRUARY 1, 1939

ISSUE DEPARTMENT

Notes Issued: £	Govt. Debt: £
In circula. 471,948,507	Other Govt. Securities 388,572,219
In Bnkg. Department 54,465,750	Other Secs. 100,258
	Silver Coin 312,423
	Amt. of Fid. Issue 400,000,000
	Gold Coin & Bullion 126,414,257
	526,414,257

BANKING DEPARTMENT

Props' Capital	Govt. Secs.
14,553,000	77,901,164
Rest 3,566,269	Other Secs. 21,314,064
Public Depts. 12,261,976	Discs., etc. 21,314,064
Other Depts. 37,136,338	Securities 42,674,228
Bankers 108,306,122	Gold & Silver Coin 782,563
Other Accts. 37,136,338	175,823,705
145,442,460	

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

THE WEEK'S CHANGES

Both Departments	Compared with	
	Feb. 1, 1939	Last Week
COMBINED LIABILITIES		
Note circulation	471,949	+ 8,104 - 4,746
Deposits: Public	12,262	+ 656 + 858
Bankers	108,306	+ 9,882 - 3,078
Others	37,136	+ 438 + 546
Total outside liabilities	629,653	+ 2,012 - 6,419
Capital and rest	18,119	+ 45 - 25
COMBINED ASSETS		
Govt. debt and securities	477,489	+ 4,175 + 180,374
Discounts and advances	21,314	+ 2,530 + 10,836
Other securities	21,460	+ 436 + 1,834
Silver coin in issue dept.	312	+ 4 + 304
Gold coin and bullion	127,197	+ 101 - 199,791
RESERVES		
Res. of notes & coin in banking department	55,248	- 7,993 + 4,955
Proportion of reserve to outside liabilities—		
(a) Bankg. dept. only ("proportion")	35.0%	- 2.6% + 3.4%
(b) Gold stocks to deposits and notes ("reserve ratio")	20.2%	+ 0.1% - 31.2%

COMPARATIVE ANALYSIS

	(£ millions)				
	1938	1939			
	Feb. 2	Jan. 11	Jan. 18	Jan. 25	Feb. 1*
<i>Issue Dept.:</i>					
Notes in circ.	476.7	475.6	470.0	463.8	471.9
Notes in banking dept.....	49.7	50.8	58.5	62.6	54.5
Govt. debt and securities ...	199.0	399.6	399.6	399.7	399.6
Other secas. ...	1.0	0.1	0.1	0.0	0.1
Gold	326.4	126.4	126.4	126.4	126.4
<i>Deposits:</i>					
Public	11.4	19.2	12.3	12.9	12.3
Bankers'	111.4	118.1	119.0	118.2	108.3
Others	36.6	36.7	36.7	36.7	37.1
Total	159.4	174.0	169.9	167.8	158.7
<i>Bkg. Dept. Secs.:</i>					
Government ..	98.1	96.2	85.8	82.0	77.9
Discounts, etc.	10.5	22.1	18.5	18.8	21.3
Other	18.7	22.3	23.6	21.9	21.4
Total	127.3	140.6	127.9	122.7	120.6
<i>Banking dept. reserve.....</i>	50.3	51.4	59.1	63.2	55.2
%	31.6	29.5	34.9	37.6	38.0
<i>"Proportion"</i>					
Reserve ratio†	51.4	19.6	19.9	20.1	20.2

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in *The Economist* of May 28, 1938. The latest returns of the Bank of International Settlements, and Denmark, appeared in our issue of January 14th; Iran, and Roumania, of January 21st; Reichsbank, Australia, Bulgaria, Czechoslovakia, Danzig, Hungary, Latvia, Lithuania, New Zealand, Sweden, and Switzerland of January 28th.

U.S. FEDERAL RESERVE BANKS

Million \$'s

	Feb. 1938	Jan. 1939	Jan. 26, 1939	Feb. 2, 1939
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifi. on hand	9,116	11,838	11,905	11,947
and due from Treas.	9,558	12,212	12,365	12,398
Total reserves	18,674	24,050	24,270	24,345
Total cash reserves	431	365	449	440
Total bills discounted	11	4	4	5
Bills in open mkt.	12	5	5	5
Total bills on hand	12	5	5	5
Industrial advances	18	16	15	15
Total U.S. Govt. secs.	2,564	2,564	2,564	2,564
Total bills and secs.	2,594	2,584	2,584	2,584
Total resources	12,794	15,654	15,636	15,683
LIABILITIES				
F.R. notes in circ.	4,138	4,441	4,319	4,347
Aggregate of excess m.				
bank res. over reqts.	1,390	3,300	3,600	3,480
Deposits — Member				
bank reserve account	7,249	8,891	9,166	9,047
Govt. deposits	143	891	767	887
Total deposits	7,775	10,146	10,403	10,403
Cap. paid in and surplus	309	311	311	311
Total liabilities	12,794	15,654	15,636	15,683
LIABILITIES				
Reserve to depts. and				
F.R. notes	80.2%	83.7%	84.0%	84.1%
U.S.F.R. BANKS AND				
TREASURY COMBINED				
RESOURCES				
Monetary gold stock	12,755	14,565	14,640	14,694
Treasury and Nat. Bk.				
currency	2,657	2,800	2,812	2,817
Money in circulation	6,323	6,839	6,623	6,663
Treasury cash and de-				
posits with F.R. Bks.	3,795	3,616	3,521	3,657

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

	Feb. 1938	Jan. 1939	Jan. 26, 1939	Feb. 2, 1939
Total gold reserves	384.8	543.0	571.0	573.6
Total bills discounted	3.1	1.1	1.8	1.6
Bills in open mkt.	0.2	0.2	0.2	0.2
Total U.S. Govt. secs.	739.5	724.6	724.6	724.7
Total bills and securities	747.1	725.8	730.5	730.2
Deposits — Member				
bank reserve account	332.3	459.9	491.4	491.2
Reserve to depts. and				
F.R. notes	85.4%	89.4%	89.8%	89.9%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 11, 1939
ASSETS				
Loans, total	9,195	8,496	8,412	8,367
Investments	12,138	13,008	13,114	13,110
Reserve with Federal				
Reserve bank	5,600	7,445	7,237	7,371
Due from domestic bks.	1,957	2,522	2,559	2,522
LIABILITIES				
Deposits: demand	14,463	16,221	15,888	16,050
Time	5,203	5,130	5,161	5,177
U.S. Government	675	538	630	632
Inter-bank	5,696	6,850	6,357	6,249

BANK OF FRANCE.—Million francs

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
ASSETS				
Gold*	58,933	87,265	87,265	87,266
Bills: Commercial	12,914	11,590	9,863	10,738
Bought abroad	834	781	747	726
Advances on securities	3,824	3,612	3,417	3,389
Thirty-day advances	925	443	459	136
Loans to State without				
interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	31,904	20,627	20,627	20,627
Negotiable bonds	5,580	5,530	5,475	5,475
Sinking Fund Dept.	3,835	4,460	4,149	4,114
Other assets				
Notes in circulation	92,255	110,935	109,721	109,738
Deposits: Public	2,689	5,061	5,599	5,445
Private	23,522	25,397	24,041	24,785
Other liabilities	3,483	2,916	3,091	2,864
Gold to sight liabilities	49.7%	61.6%	62.7%	62.4%

* Revalued Nov. 17, 1938, at 27½ milligrams.

CENTRAL BANK OF ARGENTINA

Million paper pesos

	Dec. 1937	Nov. 1938	Dec. 1938	Dec. 1938
ASSETS				
Gold at home	1,353	1,224	1,224	1,224
Other gold & for. exch.	68	94	75	71
Non-int. Govt. bond	119	119	119	119
Treasury bonds	398	397	397	397
LIABILITIES				
Notes	1,150	1,059	1,083	1,118
Deposits: Government	125	125	118	110
Bank	335	363	314	321
Certs. of participation				
in Treasury bonds	310	317	317	302
Gold and for. exch. to				
note and sight liab.	86.9%	85.1%	85.6%	83.6%

NATIONAL BANK OF BELGIUM

Million belgas

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
ASSETS				
Gold	3,533	3,428	3,433	3,435
Silver and other coin	54	55	56	58
Foreign exchange, etc.	1,009	922	920	924
Bills and securities	588	594	566	564
Advances	29	41	33	33
LIABILITIES				
Notes in circulation	4,282	4,398	4,367	4,376
Deposits: Govt.	33	114	96	108
Other	813	440	456	439

BANK OF CANADA

Million \$'s

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 26, 1939
ASSETS				
Reserve, of which	199.3	216.3	228.6	215.1
Gold coin and bullion	179.7	184.2	188.8	188.8
Securities	178.8	189.7	184.1	180.7
LIABILITIES				
Note circulation	154.3	177.3	167.3	162.4
Deposits: Dom. Govt.	14.4	20.2	52.7	13.9
Chartered banks	198.7	203.7	217.0	212.0
Reserves to notes and				
deposit liabilities	53.9%	53.7%	51.9%	55.0%

NATIONAL BANK OF EGYPT

Million £E

	Dec. 1937	Jan. 1938	Nov. 1938	Dec. 1938
Banking Department:				
LIABILITIES				
Deposits Govt.	8.95	3.70	3.84	4.84
Other	18.52	17.22	17.67	17.20
Other accounts	3.25	3.71	3.91	2.88
ASSETS				
Cash	2.38	2.71	2.38	2.45
Investments	22.48	14.72	15.28	14.48
Advances	6.43	8.46	8.43	8.26
Bills	1.17	1.29	1.73	1.90
Other accounts	2.52	3.18	2.98	2.21
Note Issue Department:				
LIABILITIES				
Notes issued	22.40	24.30	22.80	22.20
ASSETS				
Gold	6.24	6.24	6.24	6.24
Brit. Treas. bills & bonds	6.94	8.41	7.34	6.85
British War Loan	7.71	1.14	7.72	7.61
Egyptian Govt. secs.	1.50	1.50	1.50	1.50

BANK OF ESTONIA

Million Estonian kronas

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 15, 1939
ASSETS				
Gold coin & gold bullion	34.21	34.30	34.30	34.30
Net foreign exchange	15.56	16.84	16.54	16.63
Home bills discounted	12.72	12.27	13.11	12.61
Loans and advances	9.48	11.68	11.21	11.61
LIABILITIES				
Notes in circulation	47.00	50.81	49.19	49.10
Sight dep. and current				
accounts, of which:				
(a) Government	34.90	31.57	34.77	34.54
(b) Bankers	22.22	18.47	18.71	19.23
Reserve to current	9.92	10.79	13.41	12.56
LIABILITIES				
Reserve to current				
liabilities	60.8%	62.1%	60.5%	60.9%

BANK OF FINLAND

Million F. marks

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 23, 1939
ASSETS				
Gold reserve	602.6	620.4	1128.5	1128.4
Gold abroad not in res.	312.0			
Foreign correspondents	25.9	208.6	225.0	224.6
Foreign bills, etc.	59.6	92.4	114.6	115.8
Int. bills and home loans	111.9	121.7	117.6	119.2
Finnish & foreign bonds	494.9	455.4	481.1	781.2
LIABILITIES				
Notes in circulation	1934.0	2087.1	1965.7	1901.0
Sight deposits: Govt.	403.2	220.5	274.3	350.4
Other	915.5	952.3	997.6	990.9
Cover to sight liab.	79.7%	79.4%	93.4%	93.3%

BANK OF GREECE.—Million drachmae

	Dec. 1937	Dec. 1938	Nov. 1938	Dec. 1938
ASSETS				
Gold and gold exchange	3,628	3,684	3,778	3,824
State gold bonds	521	521	521	521
Bills discounted	624	739	735	734
Advances	5,023	7,585	7,578	8,002
State debt	3,856	3,794	3,794	3,796
LIABILITIES				
Notes in circulation	6,821	6,936	6,939	7,122
Dep. and current accts.	5,998	9,035	9,263	9,398
Foreign exch. liabilities	162	259	293	276

RESERVE BANK OF INDIA

Million rupees

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 20, 1939
ASSETS				
Gold coin and bullion	444	444	444	444
Rupce coin	626	702	696	696
Balances abroad	38	13	33	43
Sterling securities	788	595	568	568
Indian Govt. rupee				
securities	274	323	323	323
Investments	60	56	58	60
LIABILITIES				
Notes in circ.	1,791	1,803	1,825	1,807
Burma	54	77	86	89
Deposits: Govt.	94	117	130	145
Banks	175	122	111	115
Gold and sterling to				
liabilities	57.8%	50.3%	49.9%	49.9%

BANK OF JAPAN.—Million yen

	Jan. 1938	Dec. 1938	Dec. 1938	Jan. 31, 1939
ASSETS				
Coin & bullion: Gold	801.0	501.3	501.3	501.3
Other	25.0	49.2	46.3	46.0
Spec. fd. for for. exch.		300.0	300.0	300.0
Discounts and advances	510.0	466.9	541.9	459.2
Government bonds	1149.6	1495.2	1841.4	1845.4
Agencies' accounts	94.7	146.3	165.1	138.5
LIABILITIES				
Notes issued	1859.3	2105.4	2754.9	2587.6
Deposits: Government	333.7	403.3	307.1	305.9
Other	105.1	201.8	131.2	147.7

BANK OF JAVA.—Million florins

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 28, 1939
ASSETS				
Gold and silver	135.23	138.63	138.73	138.61
Discounts, advances &				
other investments	76.59	76.92	73.60	77.31
Foreign bills	3.19	10.87	9.42	9.17
Other assets	63.16	58.36	62.27	60.52
LIABILITIES				
Notes in circulation	185.01	187.50	186.80	186.54
Deposits and bills	78.11	83.39	82.84	84.67

NATIONAL BANK OF JUGOSLAVIA

Million dinar

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 22, 1939
ASSETS				
Cash reserve: Gold	1,714	1,908	1,910	1,911
Other foreign exchange	493	547	588	591
Discounts and advances	1,635	1,771	1,720	1,706
Government advances	2,238	2,244	2,228	2,228
LIABILITIES				
Notes in circulation	5,522	6,692	6,587	6,441
Sight liabilities	2,810	2,373	2,295	2,391

NETHERLANDS BANK

Million florins

	Jan. 31, 1938	Jan. 2, 1939	Jan. 23, 1939	Jan. 30, 1939
ASSETS				
Gold	1405.8	1461.2	1461.2	1498.1
Silver	17.6	27.1	29.0	
Home bills, etc.	9.1	8.4	8.2	8.2
Foreign bills	5.2	3.6	3.2	3.2
Loans and advances in current account	226.3	309.2	305.2	306.7
LIABILITIES				
Notes in circulation	886.1	1020.4	963.4	999.5
Deposits: (a) Govt.	188.0	154.4	174.2	
(b) Other	606.0	655.2	698.9	829.0

EXCHANGE RATES—cont.

NEW YORK

New York on	Jan. 26, 1939	Jan. 27, 1939	Jan. 28, 1939	Jan. 30, 1939	Jan. 31, 1939	Feb. 1, 1939
London:—	Cents 466½	Cents 467½	Cents 467½	Cents 467½	Cents 467½	Cents 467½
60 days	467½	467½	467½	467½	467½	467½
Cables	467½	467½	467½	467½	467½	467½
Demand	467½	467½	467½	467½	467½	467½
Paris, Fr.	2-64½	2-64½	2-64½	2-64½	2-64½	2-64½
Brussels, Bel.	16-91	16-90¾	16-91	16-91½	16-91	16-90
Switzerland, Fr.	22-57	22-57½	22-58	22-59	22-59	22-58½
Italy, Lira	5-26¼	5-26¼	5-26¼	5-26¼	5-26¼	5-26¼
Berlin, Mark	40-00	40-12	40-18	40-13	40-13	40-12
Amsterdam, Guilder	53-90	53-74½	53-63	53-95	53-82½	53-84½
Copenhagen, Kr.	20-87	20-87½	20-89	20-90	20-89	20-89
Oslo, Kr.	23-49	23-49½	23-51	23-52	23-51	23-50
Stockholm, Kr.	24-07	24-08	24-11	24-12	24-11	24-10
Athens, Dr.	0-85½	0-85½	0-86	0-85½	0-86	0-85½
Montreal, Can. \$	99-210	99-210	99-310	99-310	99-400	99-430
Yokohama, Yen	27-27	27-27	27-29	27-29	27-29	27-29
Shanghai, \$	16-37	16-37	16-35	16-37	16-37	16-37
B. Aires, Peso	29-00	29-00	29-02	29-03	29-02	29-02
Rio, Milreis†	5-95	5-95	5-95	5-95	5-95	5-95

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:—	£ 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	124½	125	124½	125½
Sight	126½	127½	125½	124½	125½	124½	126½
30 days	126½	127½	125½	124½	125½	124½	126½
60 days	127½	127½	125½	124½	125½	124½	126½
90 days	127½	127½	125½	124½	125½	124½	126½

* 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.

SHORTER COMMENTS

(Continued from p. 262).

Rheostatic Company.—Net profit, after depreciation, year to September 30, 1938, £11,346 (£11,244). Ordinary dividend, 8 per cent., against 12 per cent. To general reserve, £2,000, as before. To investment reserve, £3,000. Carry-forward raised from 1,506 to £1,579.

Qualcast Limited.—It is announced that the result of the half-year's trading to December 31st is satisfactory. The acquisition of Messrs Follows and Bate, Limited is now practically complete and over 98 per cent. of its issued capital has been acquired. It is not proposed to issue any further permanent capital in connection with this purchase.

Eburite Corrugated Containers.—Net profit for 1938 before tax and N.D.C.,

£35,135, against £45,162 for 1937. Ordinary dividend 20 per cent., against 25 per cent. for 1937.

Taylor Woodrow Estates.—Profit for year to October 31, 1938, £21,931, a reduction of £5,837 compared with 1936-37. To general reserve, nil, against £20,000. Ordinary dividend reduced from 6 to 3 per cent. Carry-forward raised from £6,732 to £18,162.

Weyburn Engineering.—Provisional net profit for year to October 31, 1938, is £35,368, against £26,565. Total distribution raised from 25 to 30 per cent.

Thomas Tilling Limited.—Final dividend, 5 per cent., making 10 per cent. (same, but on capital increased by 25 per cent. bonus). Net profit is £512,195, against £456,398.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended February 2, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
British W. Africa.....	520,077	£	Palestine.....	£	13,241
S. Rhodesia.....	97,242	£	Sweden.....	811,451	298
Netherlands.....	204,089	94,356	Netherlands.....	625	80,169
Switzerland.....	38,647	36,955	France.....	2,451	11,984
Egypt.....	72,162	£	Syria.....	5,300	5,300
Peru.....	65,574	£	Switzerland.....	25,384	25,384
Brazil.....	191,475	£	United States.....	6,907,159	...
Total*.....	1,352,591	139,004	Total*.....	7,722,442	138,603
SILVER					
Aden & Dependencies.....	140	3,705	Latvia.....	1,214	...
Burma.....	13,719	181	Norway.....	1,319	...
Australia.....	31,394	7,705	Denmark.....	2,646	...
Germany.....	7,705	23	Germany.....	18,525	...
Netherlands.....	29,250	374	Switzerland.....	23,430	...
Belgium.....	23,052	198	United States.....	61,800	857,400
France.....	87,877	£	France.....	874	...
Total*.....	196,535	7,125	Total*.....	114,020	857,514

* Including other countries.

CENTRAL AND SOUTH AMERICA

THE BANK OF LONDON AND SOUTH AMERICA, LTD., issues the following details relative to quotations for certain of the South and Central American exchanges. All these exchanges, with the exception of 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 January 7, 1939.
Colombia.*	Sight selling rate on New York was 175.15 pesos per 100 U.S. dollars on January 9, 1939. This rate applies to holders of permits buying in the "open" market.
Ecuador.	Sight selling rate on New York was 14.56 sucres per U.S. dollar on January 7, 1939.
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 January 10, 1939.
Paraguay.	Exchange is quoted on Buenos Aires; the sight selling rate was 73.25 Paraguayan pesos per Argentine "free" paper peso on December 30, 1938.
El Salvador.	Sight selling rate on New York was 2.49½ colones per U.S. dollar on January 11, 1939.
Venezuela.	Sight selling rate on New York has been maintained at 3.19 bolívares 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	6½	Montreal.....	Mar. 11, '35	2½
Amsterdam.....	Dec. 2, '36	2½	Oslo.....	Jan. 5, '38	4
Athens.....	Jan. 4, '37	7	Paris.....	Jan. 3, '39	2½
Batavia.....	Jan. 14, '37	4	Prague.....	Jan. 1, '36	3½
Belgrade.....	Feb. 1, '35	6½	Pretoria.....	May 15, '33	4
Berlin.....	Sept. 22, '32	5	Tallinn.....	Oct. 1, '35	4½
Bucharest.....	Oct. 27, '38	3	Riga.....	Jan. 1, '39	5½
Budapest.....	May 5, '38	4½	Rio de Janeiro.....	May 31, '35	5½
Calcutta.....	Aug. 28, '35	4½	Rome.....	May 18, '36	5
Canton.....	Nov. 28, '35	3	Sofia.....	Aug. 15, '35	7
Cebu.....	Nov. 19, '36	3½	Stockholm.....	Dec. 1, '33	3½
Danzig.....	Jan. 2, '37	5	Swiss Bank.....	Nov. 25, '36	2
Helsingfors.....	Dec. 3, '34	4½	Tokyo.....	Mar. 11, '38	3-285
Kovno.....	July 1, '37	5½	Warsaw.....	Dec. 18, '37	5
Lisbon.....	May 11, '36	5	Wellington.....	Nov. 22, '38	2
New York Fed.	Aug. 26, '37	1½	Irish.....	June 30, '32	3½
Reserve.....	July 15, '35	5½			

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

London Brick Company.—Final dividend is 5 per cent., making 20 per cent. for the year (the same).

Prudential Assurance.—"A" share dividend 19s. 8½d. per share, an increase of 3d. "B" shares receive 2s. as before. Reversionary bonuses: whole life, £2 6s. per cent.; endowment, £2 per cent.; industrial, £1 12s. per cent. (all unchanged).

OIL OUTPUTS

British Controlled Oilfields, Ltd.—Total output week ended January 28, 1939, 11,488 barrels.

Trinidad Petroleum Development Company, Ltd.—Output for week ended January 28th, 54,007 barrels.

Venezuelan Oil Concessions, Ltd.—Total output week ended January 28, 1939, was 1,218,888 barrels.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Jan. 29 (£'000)					Aggregate Gross Receipts 4 weeks (£'000)				
	Passenger	Merchandise	Post & Freight	Coal & Coke	Total	Passenger	Merchandise	Post & Freight	Coal & Coke	Total
L. M. & S.—	375	465	309	774	1,923	1,523	1,879	1,258	3,137	4,660
1938	367	400	304	704	1,775	1,478	1,564	1,222	2,786	4,264
1939	253	339	281	620	1,493	992	1,067	1,042	2,109	3,459
L. & N.E. (a)—	242	282	269	551	1,344	1,029	1,305	1,125	2,430	3,101
1938	242	282	269	551	1,344	1,029	1,305	1,125	2,430	3,101
1939	155	194	132	326	787	481	651	777	1,305	1,956
Great Western—	152	168	109	277	606	652	680	463	1,143	1,795
1938	152	168	109	277	606	652	680	463	1,143	1,795
1939	255	63	42	105	465	1,045	233	154	387	1,432
Southern—	253	53	39	92	437	1,035	207	148	355	1,390
1938	253	53	39	92	437	1,035	207	148	355	1,390
1939	1038	1061	764	1825	4,688	4,248	4,194	3,065	7,259	11,507
Total—	1014	903	721	1624	4,262	4,157	3,518	2,875	6,393	10,550

(a) Week ended Jan. 28.

CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures	£	£	£	£
Gross decrease, first half 1938, over first half 1937	— 780	— 638	— 318	— 105
Gross decrease, second half 1938, over second half 1937	— 2,423	— 1,812	— 926	— 54
Gross decrease, first half 1939, over first half 1938:—				
4 weeks to Jan. 29, 1939	— 396	— 358	— 161	— 42
Weekly Figures				
Av. weekly decrease, 1st half 1939	— 99.00	— 89.50	— 40.25	— 10.50
Latest week compared with 1938....	— 78	— 80	— 52	— 15
Latest week compared with average 1927-30	— 223	— 222	— 116	— 30

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended January 27, 1939 (£'000)			Aggregate Gross Receipts 4 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down ...	1-7	0-5	2-2	6-8	1-5	8-3
1938.....	1-8	0-4	2-2	6-8	1-5	8-3
1939.....	7-5	8-4	15-9	32-2	31-7	63-9
Great Northern.....	7-3	9-5	16-8	32-3	33-9	66-2
1938.....	25-8	38-3	64-1	110-9	175-8	286-7
1939.....	24-5	38-0	62-5	110-0	160-4	270-4

SUEZ CANAL RECEIPTS

(For headings see Overseas Traffic table)

	1939	1938	1937
Transit Receipts.....	3 Jan. 20	£ 256,900	£ 24,400
		492,200	68,600

* 10 days.

SHORTER COMMENTS

(Continued from page 278)

Transvaal Output and Employment.—Gold output, December, 1938: Witwatersrand, 999,955 fine ounces; outside districts, 26,274 fine ounces; total, 1,026,229 fine ounces. Value for purposes of declaration, 148s. 6d. Total output, November, 1938, 1,032,886 fine ounces. Number of natives employed at end of December: Gold mines, 307,373; coal mines, 16,398; total, 323,771.

Consolidated Mines Selection Company.—Ordinary shares dividend 15 per cent. for 1938 against 25 per cent. for 1937. Net profits, subject to tax, have fallen from £229,694 to £110,083.

English Velvet and Cord Dyers.—Net loss for 1938 is £12,827 against a net profit of £15,259 for 1937. After £10,000 from reserves (against nil) balance forward is reduced from £4,782 to £1,954. Total reserve now £85,000.

British Tobacco (Australia).—Net profit year to October 31, 1938, £911,479 (£911,386). Ordinary dividend again 10 per cent. In previous year bonus of 3½ per cent. also distributed. Carry forward increased from £40,174 to £41,700.

Houndsditch Warehouse Company.—Second report shows net trading profit, etc., £260,552 for 1938 (£283,800). Charges include reserve for amortisation of properties, £8,837 (£7,350); depreciation, £3,767 (£3,889); tax and N.D.C., £27,000 (£31,000). Written off goodwill, £10,000 (£28,430, including pre-incorporation profit). Final ordinary dividend 12½ per cent., making 17½ per cent. for year (17½ for initial period); forward, £39,668 (£22,650).

Wm. France Fenwick and Company.—Profit for 1938, £112,651 against £171,142. To depreciation, £34,096 (£28,146). To tax and N.D.C., £9,911 (£22,394). To reserve, £11,904 (£11,249). To contingencies, £7,000 (£40,000). Ordinary dividend, 7½ per cent. against 7½ per cent. plus a 2½ per cent. cash bonus. Carry-forward raised from £12,004 to £12,247.

Lister and Company.—Net loss for year to March 30, 1938, £37,513. For previous year available profit was £72,346. Debit to be carried forward is £34,691 against credit of £2,821 brought in.

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 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.

Prices, Year 1938				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939			
High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est	
Jan. 1 to Feb. 1 inclusive		Jan. 1 to Feb. 1 inclusive		Jan. 1 to Feb. 1 inclusive		Jan. 1 to Feb. 1 inclusive		Jan. 1 to Feb. 1 inclusive		Jan. 1 to Feb. 1 inclusive		Jan. 1 to Feb. 1 inclusive		Jan. 1 to Feb. 1 inclusive		Jan. 1 to Feb. 1 inclusive		Jan. 1 to Feb. 1 inclusive		Jan. 1 to Feb. 1 inclusive			
Last two Dividends		Last two Dividends		Last two Dividends		Last two Dividends		Last two Dividends		Last two Dividends		Last two Dividends		Last two Dividends		Last two Dividends		Last two Dividends		Last two Dividends			
(a) (b) (c)		(a) (b) (c)		(a) (b) (c)		(a) (b) (c)		(a) (b) (c)		(a) (b) (c)		(a) (b) (c)		(a) (b) (c)		(a) (b) (c)		(a) (b) (c)		(a) (b) (c)			
Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security			
Price, Feb. 1, 1939		Price, Feb. 1, 1939		Price, Feb. 1, 1939		Price, Feb. 1, 1939		Price, Feb. 1, 1939		Price, Feb. 1, 1939		Price, Feb. 1, 1939		Price, Feb. 1, 1939		Price, Feb. 1, 1939		Price, Feb. 1, 1939		Price, Feb. 1, 1939			
Change since Jan. 1, 1939		Change since Jan. 1, 1939		Change since Jan. 1, 1939		Change since Jan. 1, 1939		Change since Jan. 1, 1939		Change since Jan. 1, 1939		Change since Jan. 1, 1939		Change since Jan. 1, 1939		Change since Jan. 1, 1939		Change since Jan. 1, 1939		Change since Jan. 1, 1939			
Yield, Feb. 1, 1939		Yield, Feb. 1, 1939		Yield, Feb. 1, 1939		Yield, Feb. 1, 1939		Yield, Feb. 1, 1939		Yield, Feb. 1, 1939		Yield, Feb. 1, 1939		Yield, Feb. 1, 1939		Yield, Feb. 1, 1939		Yield, Feb. 1, 1939		Yield, Feb. 1, 1939			
s. d.		s. d.		s. d.		s. d.		s. d.		s. d.		s. d.		s. d.		s. d.		s. d.		s. d.			
British Funds																							
79 1/4	64	71 1/8	68 1/4	Consols 2 1/2% 1957	70	+ 3/4	3 12	0	32/6	25/-	6 c	Nil c	Brit. Overseas A £5	30/-	...	4 s. d.	Nil	...	...	...	...		
111 3/4	98	105 1/2	103 1/8	Do. 4% (alt. 1957)	104 1/4	+ 1	3 13	6 1/2	9 1/4	8 1/4	7 b	5 a	Chd. of India £3 ...	9	+ 1/4	6 13	3	...	...	...	...		
100 3/4	90	95 1/2	94 5/8	Conv. 2 1/2% 1944-49	95 1/2	+ 1	3 1	9	12/6	11 1/2	3 3/4 b	3 3/4 a	Com. Bk. of Aus. 10/-	11 3/4	...	4 17	4	...	...	...	...		
103 1/4	92	98 1/2	95 5/8	Do. 3 1/2% 1948-53	96 1/2	+ 1/2	3 3	0	52 1/2	49 1/2	5 a	5 b	Dist. B. £1 1/2 p.d.	51 3/4	...	3 18	0	...	...	...	...		
104 5/8	90 1/2	99 1/8	96 1/8	Do. 3 1/2% after 1961	97 3/4	+ 3/4	3 12	6 1/2	63/6	60 1/2	3 1/2 b	3 1/2 a	En. S. & Aust. £5 3/4 p.d.	65/-	- 2/6	6 9	0	...	...	...	...		
108	102	103 1/8	102 1/8	Do. 4% 1944-64	103 1/4	+ 3/4	3 7	0 1/2	75/-	72 1/2	10 8 a	10 8 b	Hambros £10 £2 1/2 p.d.	10	...	4 10	0	...	...	...	...		
115 1/2	102	109 1/8	108 1/8	Do. 5% 1944-64	109 3/4	+ 1 1/2	3 10	0	93/-	90 1/2	10 8 a	10 8 b	Home, S. & S. £12 1/2 p.d.	82 1/2	...	6 13	4	...	...	...	...		
91 1/8	81	87 1/2	85 1/2	Fund. 2 1/2% 1956-61	86 1/4	+ 1 1/4	3 7	0	59/4 1/2	54 1/2	6 a	6 b	Lloyds & S. £12 1/2 p.d.	82 1/2	...	4 13	4	...	...	...	...		
97 1/8	88 1/2	92 3/4	90 7/8	Fund. 2 1/2% 1952-57	91 1/2	+ 1 1/2	3 6	3	8 1/2	7 1/2	7 a	7 b	Martins £20 £2 1/2 p.d.	57 1/6	+ 1/6	4 3	9	...	...	...	...		
99 5/8	90	94 7/8	93	Fund. 3% 1959-69...	94	+ 1 1/2	3 6	0	86/-	80/-	8 a	8 b	Midland £1 1/2 p.d.	84 1/2	+ 1/4	4 4	0	...	...	...	...		
114 7/8	98	108 1/2	106	Fund. 4% 1960-90...	107 1/4	+ 1 1/4	3 9	0	5 1/2	5 1/2	5 a	5 b	Nat. Dis. £2 1/2 p.d.	84 1/2	+ 1/6	3 16	0	...	...	...	...		
101 1/8	90	97 3/4	96 7/8	Fund. 3% 1959-69...	94	+ 1 1/2	3 6	0	30 3/4	29 1/4	11 b	4 a	Nat. of Egypt £10 ...	30	...	5 0	0	...	...	...	...		
100 1/4	93	95 3/4	94 1/8	Nat. D. 2 1/2% 1944-48	97 3/4	+ 3/4	3 2	7	34 1/4	33 1/4	9 b	8 a	N. Prov. £5 £1 p.d.	31 1/2	...	6 14	10	...	...	...	...		
112 1/2	100	107 1/2	105 3/4	War. L. 3 1/2% alt. 1952	106 3/4	+ 1 1/4	3 14	6 1/2	70/-	68/-	7 1/2 b	7 1/2 a	Roy. Bk. of Scotland	69 1/6	+ 6d	4 6	0	...	...	...	...		
103 1/2	90 1/2	98 1/2	95 1/2	Local Loans 3%	97 3/4	+ 3/4	3 12	0	45 1/2	44 1/2	8 1/2 b	8 1/2 a	St. of S.A. £20 £3 p.d.	44 1/2	+ 5	3 16	6	...	...	...	...		
102	90 1/2	95	93 1/2	Austria 3% 1933-53	96 1/2	- 1 1/2	3 4	0	15 1/8	14 1/8	10 5 a	10 5 b	Union Dis. £1	15	+ 1 1/4	5 0	0	...	...	...	...		
68 1/2	55	64	61 1/4	India 3 1/2%	62	- 1 1/2	3 4	0	8 1/2	8 1/2	9 a	9 b	West. £4 £1 p.d.	42 1/6	+ 1/3	4 14	0	...	...	...	...		
82 1/4	68	76	73 1/2	Do. 3 1/2%	74 1/2	- 1 1/2	3 4	0	91/9	89 1/6	9 a	9 b		87 1/6	+ 1/-	4 11	5	...	...	...	...		
95 5/8	75	90	87	Do. 4 1/2% 1958-68	88	- 1 1/2	3 19	7															
117 1/8	110	115 1/4	113 1/4	Do. 4 1/2% 1958-68	113 1/2	- 1 1/2	3 9	9	26 3/8	24 3/4	50 b	40 a	Insurance										
108 7/8	97	103	101	Adm. & Col. Govts.					14	13 1/8	14 1/6 b	13 1/6 a	Alliance £1, fully pd.	25 1/2	...	3 10	6	...	...	...	...		
104 1/8	97	103 1/4	101 3/8	Austr. 5% 1945-75...	102	...	4 9	6	95 3/8	85 1/2	20 b	20 a	Atlas £5 £1 1/4 p.d.	13 1/2	...	3 0	0 1/2	...	...	...	...		
115	109 1/2	112 1/4	111 1/2	Canada 4% 1940-60	102	...	3 18	10 1/2	97 1/2	25	1 1/6 a	1 1/6 b	Com. U.K. £1 1/2 p.d.	9	...	3 8	0	...	...	...	...		
107 3/8	95	102 1/4	101 3/8	Nigeria 5% 1950-60	112	...	3 13	6	101 1/8	92 3/2	3 1/2 a	25 a	Gen. Acc. £1 1/2 p.d.	4 1/2	...	3 10	0	...	...	...	...		
112 1/8	97	108 1/4	107	N. Zealand 5% 1946	101 1/2	...	4 9	9 1/2	195 1/8	182 1/2	6 1/2 a	6 1/2 b	Lat. & Lanc. £5 £2 p.d.	26	...	3 17	0	...	...	...	...		
96 1/2	78	85	79	Queens. 5% 1940-60	108	...	3 11	0	15 1/8	14 1/8	6 1/2 a	6 1/2 b	N. Prov. £1 1/2 p.d.	19	...	2 19	0 1/2	...	...	...	...		
102	73	80 1/2	78	S. Africa 5% 1945-75	108	...	3 11	0	35 1/2	33 1/8	17 1/2 a	17 1/2 b	Phoenix £1 1/2 p.d.	14 1/2	...	2 2	0	...	...	...	...		
99	38	59	48	Foreign Governments					93/-	84/-	150 c	150 c	Prudential £1 A...	14 1/2	...	2 2	0	...	...	...	...		
36	31	31	23	Aust. 4 1/2% Stg. Bds.	80	+ 1 1/2	5 12	6	91 1/2	85 1/2	19 b	11 a	Do. £1, with 4s. pd.	90/-	+ 2/6	2 15	7 1/2	...	...	...	...		
37 1/2	12 3/4	14 3/8	12 1/2	Austria 1930 5%	32	+ 4	13	0 30	73 3/8	66 3/8	3 1/2 c	3 1/2 c	Royal Exchange £1...	9	...	2 4	5 1/2	...	...	...	...		
60 1/2	37	37 1/2	28	Do. 4 1/2% 1934-59	52	- 1 1/2	10	2	81 1/4	78 1/2	6 1/2 a	6 1/2 b	Royal £1, 10/- p.d.	8 1/8	+ 1/8	4 0	0	...	...	...	...		
73 1/2	40	55 1/4	44	Belgium 4% (36) 1970	88	- 1	4	14	6	17 1/8	17 1/8	1 1/6 b	1 1/6 a	S. U.K. & N.A. £20 £1 p.d.	16 1/2	...	3 19	0	...	...	...	...	
105 3/4	20	50	40 1/2	Bulgaria 7% 1929	23	- 2 1/2	10	17 2m	83/-	77 1/2	1 1/3 a	1 1/3 b	Sun. Lf. Ass. £1 1/2 p.d.	78 1/2	- 1/3	3 10	0	...	...	...	...		
104	84 1/2	86 1/4	81	Brazil 5% (1912)	14	- 1 1/2	14	5	8	7 1/8	10 a	10 b											
13	9 1/4	12 1/2	11 1/4	Chile 6% 1914...	23	- 2	14	5	230	220	8 b	4 a	Anglo-Amer. Deb...	225	...	5 6	8	...	...	...	...		
60	20	44	30	China 5% (1912)	32 1/2	- 3	15	7 9/2	47 1/2	45 1/2	3 c	3 1/2 c	Anglo-Celtic Ord...	45 1/2	...	7 13	9	...	...	...	...		
34 1/2	15	33 1/8	21 3/4	Do. 5% (1913)	45 1/2	- 3	10	19 9/2	11 3/8	8 1/6	7 1/2 c	10 c	Brit. Assets Trust 5/-	8 1/2	...	4 5	5	...	...	...	...		
58 1/2	20	29 1/2	24	Czechoslovakia 8%	50	+ 7	16	0	214 1/2	210 1/2	4 a	6 b	Debenture Corp. Stk.	205 1/2	- 4	5 16	0	...	...	...	...		
60	35	52	46 1/2	Denmark 3%	98	- 1	3	2	60 1/2	58 1/2	3 b	11 a	Gen. Amer. & Co. Def.	59 1/2	...	7 11	6	...	...	...	...		
64 1/2	38	53 1/2	44 1/2	Egypt Unified 4% ...	84	...	4	15	3	218 1/2	214 1/2	4 a	6 b	Guardian Investment	117 1/2	...	5 19	2	...	...	...	...	
50	35	45	42 1/2	French 4% (British)	111 1/2	...	5	9	60 1/2	58 1/2	3 b	11 a	Ind. and Comm. Invest.	210	- 7	5 14	0	...	...	...	...		
75 1/2	54	65	50	Ger. Dawes Ln. 5%	37 1/2	+ 7	13	6	226	208 1/2	8 b	4 1/2 b	Invest. Trust Def...	216	...	6 0	4	...	...	...	...		
15 3/4	9 1/4	9 7/8	7	Do. Young Ln. 4 1/2%	26 1/2	+ 4	16	19	8 1/2	223	211	8 b	5 a	Lake View Inv. 10/-	225	- 1/-	7 12	0	...	...	...	...	
92	75	79	76	Greek 6% Stab. Ln.	22 1/2	...	13	17 0 1/2	143	12 1/2	2 1/2 a	6 1/2 b	Mercantile Inv.	207 1/2	...	5 15	8	...	...	...	...		
115 1/2	101	111 1/2	109 1/2	Hungary 7 1/2% 1936-62	47	+ 1	11	14 0 1/2	235	225	8 1/2 a	6 1/2 b	Merchants Trust Ord.	116 1/2	...	6 9	0	...	...	...	...		
87 1/2	75	81 5/8	77 1/2	Japan 5 1/2% 1936-62	47	+ 1	12	15 3/4	118 1/2	115	4 1/2 b	3 a	Metropolitan Trust...	207 1/2									

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben- ture Interest	Amount Available for Distri- bution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Deprecia- tion, etc.	Balance Forward	Net Profit	Divi- dend
					Prefce. Amount	Ordinary					
						Amount	Rate				
Financial, Land, etc.		£	£	£	£	£	%	£	£	£	%
London Property Invest. ...	Dec. 31	1,767	17,679	19,446	...	15,324	6 & 5	2,341	1,781	17,265	6 & 5
Taylor Woodrow Estates ...	Oct. 31	6,732	21,931	28,663	6,000	4,500	3	...	18,163	27,768	6
Gas											
South Metropolitan Gas ...	Dec. 31	13,451	474,687	488,138	102,149	369,044	5½	...	16,945	482,394	5½
Iron, Coal and Steel											
Burnell and Company	Dec. 31	20,105	31,121	51,226	10,401	7,500	15	15,000	18,325	50,164	20
Twefontein Colliery	Dec. 31	23,637	29,667	53,304	7,500	21,000	35	...	24,804	27,496	35
Motor Cycle & Aviation											
De Havilland Aircraft	Sep. 30	18,130	262,259	280,389	...	100,000	12½	169,446	10,943	230,089	12½
Rubber											
Kuala Kangsar	Oct. 31	8,245	11,281	19,526	...	9,625	5½	4,000	5,901	35,966	15
Takau (F.M.S.)	Oct. 31	476	1,575	2,051	...	...	...	1,200	851	4,999	5
Val d'Or	Oct. 31	9,573	6,205	15,778	...	4,403	5	976	10,399	10,104	7½
Shipping											
France (Wm.) Fenwick & Co.	Dec. 31	12,004	100,005	112,009	5,981	40,781	7½	53,000	12,247	146,623	10
Shops and Stores											
Public Benefit Boot	Dec. 31	14,964	24,372	39,336	23,656	5,437	5	...	10,243	29,119	7½
Randall (H. E.)	Dec. 31	48,577	22,624	71,201	5,100	12,375	7½	6,080	47,646	26,571	8½
Textiles											
Ashton Brothers & Co.	Dec. 31	13,865	52,558	66,423	19,575	7,830	5	20,000	19,018	23,762	Nil
English Velvet, etc.	Dec. 31	4,782	5,507	10,289	...	...	...	8,334	1,955	34,928	Nil
Huddersfield Fine Worsteds	Dec. 31	11,421	6,025	17,446	...	4,078	2½	...	13,368	5,061	2½
Linen Thread	Sep. 30	191,803	154,386	346,189	121,000	99,000	6	Dr. 50,000	176,189	296,623	8½
Lister and Company	Nov. 30	2,822	Dr. 37,513	Dr. 34,691	...	...	...	...	Dr. 34,691	75,084	Nil
McIntyre, Hogg, Marsh ...	Nov. 30	55,064	19,397	74,461	...	24,900	10	Dr. 3,041	52,602	47,633	15
Tramways											
Singapore Traction	Sep. 30	3,170	40,624	43,794	11,616	6,014	5	22,966	3,198	53,426	7½
Trusts											
British Investment	Jan. 1	167,370	161,904	329,274	55,000	88,021	12	18,883	167,370	182,693	12
Caribonum Trust	Jan. 31	1,674	67,932	69,606	12,014	56,000	11	...	1,592	70,293	11
Equatorial Trust.....	Dec. 31	27,332	22,699	50,031	...	12,688	3½	10,311	27,032	26,054	3½
Glasgow Stockholders	Jan. 2	9,038	21,156	30,194	15,444	5,148	2½	...	9,602	29,694	3½
Romney Trust	Dec. 31	18,355	19,815	38,170	9,219	9,263	5	116	19,572	23,720	5
United States and General	Dec. 31	24,517	72,497	97,014	40,500	27,730	7	...	28,784	77,875	7
Waterworks											
Chester Waterworks	Dec. 31	10,605	15,995	26,600	5,842	6,634	6	3,500	10,624	12,637	6
Sunderland, etc., Water ...	Dec. 31	79,159	51,707	130,866	1,087	59,611	7½	...	70,168	59,673	8
Whitby Waterworks	Dec. 31	1,628	2,486	4,114	1,286	1,500	10	...	1,328	(a)	(a)
York Waterworks	Dec. 31	17,394	9,317	26,711	2,605	7,823	7	...	16,283	10,035	7
Other Companies											
Aeroplane, etc., Castings ...	Sep. 30*	3,973	16,411	20,384	...	...	...	3,712	16,672	(a)	(a)
Beans Industries	Nov. 30	13,257	59,251	72,508	3,988	23,200	32	25,000	20,320	59,300	30
Bolding (John) & Sons	Dec. 31	23,447	14,297	37,744	1,269	9,063	12½	2,407	25,005	22,503	17½
Blundell, Spence & Co.	Oct. 31	10,322	12,149	22,471	7,458	7,736	2½	...	7,277	27,921	6
Bradbury, Greateorex & Co. ...	Jan. 6	69,328	31,906	101,234	12,000	32,670	9	...	56,564	46,471	9
Craigton Cemetery	Dec. 31	508	3,241	3,749	...	2,500	5	500	749	2,466	4½
Dublin (South) City Market	Dec. 31*	4,715	3,840	8,555	...	3,488	4½	500	4,567	4,116	4½
Freder Crepe Paper	Dec. 31	4,634	9,968	14,602	3,988	5,800	8	...	4,814	17,491	9½
Gossard, Ltd.	Nov. 30	2,506	11,921	14,427	3,814	7,250	8	2,777	586	17,468	10
Houndsditch Warehouse ...	Dec. 31	22,650	219,622	242,272	40,000	140,000	17½	22,604	39,668	234,484	17½
Loveys (John) & Company	Dec. 31	273	7,779	8,052	3,600	3,000	3	500	952	5,689	2½
Rheostatic Company	Sep. 30	1,506	11,346	12,852	2,213	4,060	8	5,000	1,579	16,417	12
Vulcanite, Ltd.	Dec. 31	2,491	12,720	15,211	1,769	5,438	60	5,000	3,004	11,516	40
Westinghouse Brake & Signal	Dec. 31	70,569	262,518	333,087	...	142,981	17½	85,000	105,106	275,632	17½
Wright (John) & Sons	Dec. 31	4,725	26,734	31,459	5,500	11,250	7½	9,500	5,209	34,177	10
Total Profits, 1939, in £'000's :	No. of Cos.										
To January 28	111	7,147	13,697	20,844	1,738	8,967	...	2,062	8,077	14,705	...
To February 4	153	8,194	16,072	24,266	2,278	10,370	...	2,504	9,114	17,599	...

* Six months.

(a) No comparable figure.

(b) Absorbed £75,000.

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	%	%	%	%	Brighton Gas Cons.	%	%	%	%	Houndsditch Wrehs.	%	%	%	%
Mersey Railway ...	11½	...	...	7½	do. 5% Standard...	3½	...	...	6½	Hughes-Johnson...	12½	17½	...	17½
Metro. (Surplus Lands) ...	21½	38	...	38	Brit. Industries Fixed Trust (4th Series)...	13½	...	Feb. 9	13½	Jackson Bros.	12½	17½	...	17½
TEA & RUBBER					Chester United Gas Eburite Containers...	3½	...	...	...	London Pavilion	3½	...	...	...
Toerange Rubber...	9	Feb. 22	17½	...	Elec. & Indus. Invest.	15½	...	...	...	McIntyre, Hogg, etc.	(a) 10	...	...	...
MINING					Exchange Telegraph	5*	...	Feb. 24	5*	Manchester Corn, etc.	2½	...	...	...
Broken Hill South ...	6d ps	Mar. 15	9d ps	...	Fleming Reid & Co.	10½	...	...	...	Natal Steam Coal	5*	...	...	...
Boma Corporation ...	(a) 4*	Mar. 29	6*	...	Foster Porter & Co.	10½	...	...	...	Power Securities	5*	...	...	...
Cons. Mines Selection	15	Feb. 17	2½*	...	Friary Holroyd Brews.	5*	...	Feb. 15	5*	Randall (H. E.)	7½	...	...	...
Malaysian Tin	11½*	...	...	...	Gas Light & Coke	2½	...	...	...	Shanks & Co.	7½	...	...	...
INDUSTRIALS					Gossard	3½	...	...	...	Squirrel Confee.	10½	...	...	...
Angus (Geo.) & Co.	41½	Feb. 28	7½	...	Grand Union Canal	14½	...	...	...	S. Staff. Mond Gas	1½	...	...	...
Aristoc	20½	...	27½	...	Hartley (Wm. F.)	1	...	...	...	Swansea Gas	5*	...	...	...
Ashton Brothers	5	...	...	...	Heenan Beddow, etc.	10½	...	...	...	U.S. & Gen. Trust	5*	...	...	...
Beltra-Wear	(a) 15	...	15	...	Holborn and Frascari	2½	...	...	...	Wallis Tin Stamping	7½	...	...	...
Barracks Fabrics	7½	...	18½	...	Holden (Isaac)	2½*	...	Mar. 1	2½*	Watney Combe Reid	6*	...	...	...
Bank. In. & Fin. Shs.	13d	Feb. 15	...	...	...	...	...	...	...	Weyburn Engineering	22½	...	...	...
Bay Hall Trust	6	...	...	...	...	...	...	...	...	...	...	...	...	...
Braithwaite & Co.	2*	...	...	...	...	...	...	...	...	...	...	...	...	...

(a) Paid on a larger capital.

(v) Annus per share.

Industry and Trade

COMMODITY STATISTICS

Coal					METALS—(cont.)					OTHER FOODS—(cont.)					
COAL OUTPUT ('000 tons)					TINPLATE INDUSTRY					Week ended					
District	Week ended		Jan.-December		Jan. 22, 1938	Jan. 14, 1939	Jan. 21, 1939	Jan. 28, 1939	Production—per cent. of capacity	61.40	41.70	41.28	Jan. 21, 1939	Jan. 28, 1939	
	Jan. 14, 1939	Jan. 21, 1939	1937	1938											
Northumberland	296.3	305.3	14,365.5	13,437.3											
Durham	674.3	684.5	33,550.5	31,533.5											
Yorkshire	973.0	956.5	45,384.7	42,598.8											
Lancs, Cheshire and N. Wales	367.7	360.4	17,743.3	17,040.5											
Derby, Notts & Leicester	758.5	763.7	33,863.8	32,160.0											
Staffs, Worcs, Salop and Warwick	434.0	428.3	20,203.2	19,586.9											
South Wales & Monmouth	792.1	761.5	38,245.5	35,901.1											
Other English districts*	122.4	122.1	5,564.2	5,477.0											
Scotland	649.0	644.9	32,261.3	30,479.1											
Total	5,067.3	5,027.2	241,182.0	228,214.2											
* Including Cumberland, Gloucester, Somerset, and Kent.															
Cotton					Foods					WORLD SHIPMENTS OF WHEAT AND FLOUR					
RAW COTTON delivered to Spinners ('000 bales)					('000 quarters)					Week ended					
Variety	Week ended		Total Deliveries		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From—	N. America	Argentina and Uruguay	283	264	3,017	3,534
	Jan. 20, 1939	Jan. 27, 1939	Aug. 1, 1937	Aug. 1, 1938											
American	18.4	18.3	665	514											
Brazilian	5.7	5.2	178	138											
Peruvian, etc.	3.2	2.8	68	53											
Egyptian	6.9	4.0	173	143											
Sudan Sakel	1.6	2.6	87	76											
East Indian	10.3	5.4	152	181											
Other countries	2.5	2.9	103	85											
Total	48.6	41.2	1,426	1,190											
Metals					OTHER FOODS					WORLD SHIPMENTS OF LINSEED					
SALES ON LONDON METAL EXCHANGE					Week ended					('000 tons)					
	Week ending		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper	5,725	5,700	29,275	29,275											
Tin	1,675	2,250	7,233	7,233											
Lead	5,800	6,900	29,550	29,550											
Spelter	3,375	3,420	17,270	17,270											
U.K. STOCKS					BACON					WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Cocoa					COCOA					WORLD SHIPMENTS OF LINSEED					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined	26,327	26,165	10,481	10,481											
Rough	9,932	9,932													
Tin (London and Liverpool)	9,932	10,481													
Miscellaneous Commodities					MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					WORLD SHIPMENTS OF LINSEED					
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL					Week ended					('000 tons)					
	Week ended		From Jan. 1 to Feb. 1, 1939		Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939	From Apr. 1 to	Jan. 21, 1939	Jan. 28, 1939	Jan. 29, 1938	Jan. 28, 1939		
	Jan. 25, 1939	Feb. 1, 1939													
Copper (Br. official w/houses):	5,955	5,651	26,327	26,165											
Refined</															

BRITISH WHOLESALE PRICES

Jan. 25, 1939				Feb. 1, 1939				Jan. 25, 1939				Feb. 1, 1939				Jan. 25, 1939				Feb. 1, 1939																											
CEREALS AND MEAT																SUGAR (per cwt.)—cont.																GOLL per fin. ounce															
GRAIN, etc.—																Cubes																SILVER (per ounce)—															
Wheat—																CrusheJ																Cash															
No. 2, N. Man. 496 lb.																Granulated																															
Eng. Gaz. av., per cwt.																Home Grown																															
Liv. Mar., per cental																TEA* (Auction Average) (per lb.)																															
Flour, per 280 lb.—																N. India																															
Straights, d/d London																S. India																															
Manitoba, ex store																Ceylon																															
Barley, Eng. Gaz., av. per cwt.																Java																															
Oats																Sumatra																															
Maize, La Plata, landed, 480 lb.																Africa																															
Rice, No. 2 Burma, per cwt.																Total																															
MEAT—																TOBACCO (per lb.)—																															
Beef, per 8 lbs.—																Virginia stemmed and un-																															
English long sides																stemmed, common to fine																															
Argentine chilled hinds																Rhodesian stemmed and un-																															
Mutton, per 8 lb.—																stemmed																															
English wethers																Nyasaland stemmed and un-																															
N.Z. frozen wethers																stemmed																															
Lamb, per 8 lb.—																East Indian																															
N.Z. frozen																Stemmed																															
Pork, English, per 8 lb.																Unstemmed																															
BACON (per cwt.)—																COTTON (per lb.)—																															
English																Raw, Mid-American																															
Danish																Sakellaridis, F.G.I.																															
Dutch																Giza, F.G.F.																															
Irish																Yarns 32's Twist																															
HAMS (per cwt.)—																40's Welt																															
Canadian																60's Twist (Egyptian)																															
United States																Cloth, 32 in. Printers, 116 yds.																															
																16x16, 32's & 40's																															
																36 in. Shirtings, 75 yds.																															
																19x19, 32's & 40's																															
																38 in. ditto, 38 yds.																															
																18x16, 10 lb.																															
																39 in. ditto, 37½ yds.																															
																16x15, 8½ lb.																															
OTHER FOODS																FLAX (per ton)—																															
BUTTER (per cwt.)—																Livonian ZK																															
Australian																Pernau HD																															
New Zealand																Slantet Medium, 1st sort																															
Danish																HEMP (per ton)—																															
CHEESE (per cwt.)—																Italian PC																															
Canadian																Manilla, Feb.-Apr. '12																															
New Zealand																JUTE (per ton)—																															
English Cheddars																Native 1st mks., c.i.f. H.A.R.B.																															
Dutch																Feb.-Mar.																															
COCOA (per cwt.)—																Daltee 2/3 c.i.f. Dundee																															
Accra, g.f.																Feb.-Mar.																															
Trinidad																SISAL (per ton)—																															
Grenada																African, Feb.-Apr.																															
COFFEE (per cwt.)—																SILK (per lb.)—																															
Santos sup. c. & f.																Canton																															
Costa Rica, medium to good																Japan																															
Kenya, medium																Italian, raw, fr. Milan																															
EGGS (per 120)—																WOOL (per lb.)—																															
English (15-15½ lb.)																English, Southdown, greasy																															
Danish (15½ lb.)																Lincoln hog, washed																															
FRUIT—																Queensland, scd. super combg.																															
Oranges, S. African boxes																N.S.W. greasy, super combg.																															
Brazilian Rio Pera boxes																N.Z. greasy, half-bred 40-56																															
Jaffa boxes																Tops—																															
Lemons, Naples boxes																Merinos 70's average																															
Sicilian boxes																Crossbred 48's																															
Apples, Amer. (var.) barrels																46's																															
Canadian: Nova Scotian (var.) barrels																MINERALS																															
Grapes, Almeria barrels																COAL (per ton)—																															
Grapefruit, S. African																Welsh, best Admiralty																															
Jamaica																Durham, best gas, f.o.b. Tyne																															
Jaffa, Seedless																Sheffield, best house, at pits																															
Cyprus, seedless																IRON AND STEEL (per ton)—																															
Texas (March Seedless)																Pig, Cleveland No. 3, d/d.																															
LARD (per cwt.)—																Barn, Middlesbrough																															
Irish, finest bladders																Steel rails, heavy																															
U.S.																Tinplates																															
PEPPER (per lb.)—																NON-FERROUS METALS (per ton)																															
Black Lampong (in Bond)																Copper—																															
White Muntok (f.a.q.) (in Bond)																Standard cash																															
Yellow Crystals																Three months																															
																Tin—																															
																Standard cash																															
																Three months																															
																Lead, soft foreign—																															
																Cash																															
																English, pig																															
																Spelter, G.O.B.—																															
																Spot																															
																Aluminium, ingots and bars																															
																rolling billets																															
																Nickel, home and export																															
																Antimony, Chinese																															
																Wolfram, Chinese																															
																Platinum, refined																															
																Quicksilver																															

Italian minds are not calculated to increase Signor Mussolini's readiness, if it really exists, to withdraw all his men and material immediately the fighting in Spain is over. But his pledge is specific and unconditional. It was annexed to the Anglo-Italian Agreement of last April, and it was confirmed by Signor Mussolini last month. And when Count Ciano's attention was called this week to suggestions made by Signor Gayda (whose inspiration is usually official) that the troops would not be withdrawn until concessions had been exacted from France, the promise was, it is understood, repeated once more. This might seem to be decisive. But Italian promises have frequently been broken before, and it is difficult to believe that Signor Mussolini is really prepared to surrender what he has won at such heavy cost. Moreover, there is the ostentatious preparation of claims on France, whose presentation is clearly linked with the outcome of the Spanish war. It would be safer to assume that Signor Mussolini intends to use his conquest of Spain as a club to brandish over the heads of the French, even though that would involve some departure from his pledges to Britain.

This being so, it is immensely to the good that Mr Chamberlain has at last given a specific assurance of backing to France. On Monday, he stated explicitly that "any threat to the vital interests of France, from whatever quarter it came, must evoke the immediate co-operation of this country." Ordinarily words such as these would be utterly conclusive. But the world cannot yet have forgotten the speech that Sir John Simon made at Lanark at the end of August. It was then said that any war started by an attack on Czecho-Slovakia would probably involve Britain. This was interpreted as a warning to Germany; but within a month its real meaning was discovered to be that, since Britain would probably be involved in a war starting by an attack on Czecho-Slovakia, Britain must persuade Czecho-Slovakia to make the attack unnecessary. The Government have only themselves to blame if the German and Italian Press is busy putting a similar construction on the new pledge to France. Actually, the cases are quite different. France could not be coerced as Czecho-Slovakia was; the declarations of the French Government leave no room for doubt. No British

Government would wish to persuade France to surrender any of her vital interests—or, if it tried, could withstand the political storm that would be raised at home by any such attempt. Mr Chamberlain's statement is what it purports to be: a categorical warning that Britain and France stand together. It is the wisest and most effective step that British diplomacy has taken for very many months.

Across the Atlantic, too, some certainty is emerging from the half-probabilities of American foreign policy. The storm that has been aroused over the President's methods of secrecy in concealing the extent of purchases of war materials by the European democracies has served the useful purpose of showing how little opposition there is to the substance, as distinct from the methods, of Mr Roosevelt's policy. Even Mr Hoover, who represents nowadays a fairly extreme form of isolationism, has uttered the warning that America would fight in any war that involved the wholesale bombing of women and children in open cities. This is enough to give the dictators pause; for the only way in which they could hope to win a war against Britain and France combined would be one that included civilian terrorism as its chief weapon.

The events of the past fortnight have thus delivered Spain into the hands of the dictators' ally. But, on the other hand, they have established the certainty that Britain and France cannot be separated and subjugated piecemeal, and the strong probability that a war against Britain and France means also a war against all the material resources of the North American continent. The importance of these facts should not be over-rated. They should be set against the signs that the self-confidence of the dictators has been dangerously inflated, that they realise their time is short, and that everything is being done to raise their striking-power to its highest point this spring. The scales of history are still visibly balancing between war and peace and the pointer has not yet come to rest at either. But this at least can be said: that the weights cast into the balance in the last two weeks have been on the side of peace, and that the greatest of them is the evidence that has been given of the growing strength, the growing firmness, the growing clarity of purpose, and the growing unity of the great democracies.

The Arab World and Palestine

THE Conference—or, more strictly, the Conferences—on Palestine which opened at St. James's Palace on Tuesday have never been anticipated with over-much confidence in a successful outcome. The start has not been too promising, even within the framework of the very moderate expectations. Not only do the Arabs refuse to sit with the Jews, but three days were absorbed in persuading the Mufti's followers and the Nashashibi faction of the Arabs of Palestine to co-operate on a single delegation. But against these disappointments must be set the fact that the delegates from countries other than Palestine have emphasised—and with obvious sincerity—their desire to see a solution reached for a problem that is almost as troublesome to them as to the British Government.

This goodwill is important; for one of the peculiar difficulties of the Palestine problem lies in the fact that this tiny country is the focus of pressure and counter-pressure from vast, and indeed world-wide, external forces. It has been obvious all along that the Jewish interest in Palestine is not confined to the small fraction of Jewry that may happen to be resident in Palestine, but extends to the whole of the Jewish Dispersion abroad among the Gentiles. Until lately it has, perhaps, not been so obvious that the Arab interest in Palestine is likewise not confined to the local Palestinian Arabs. The wide Arab interest in Palestine has

now been formally recognised, in a striking way, by the representation, not only of the Palestinian Arab community, but also of five independent Arab States—Egypt, Saudi Arabia, Iraq, the Yaman and Transjordan. Even so, the present Arab representation at this London Conference is far from covering the whole of the Arab world; for Palestine is not the only Arab, or partly Arab, country that still lacks complete sovereign independence. For example, no Arab community, outside Palestine itself, is so closely interested in the Palestine question as are the two adjoining States of Syria and the Lebanon. The very separation of Palestine from the main body of Syria was an arbitrary and artificial act of the Allies in 1919. The Arab world, however, extends far beyond these immediate neighbours of Palestine. South-east of the Yaman and Saudi Arabia there is a large tract of the Arabian Peninsula facing the Indian Ocean and the lower reaches of the Persian Gulf, from the Aden Protectorate to the Bahrein Islands inclusive, which is under a British *ægis*. And then, in the opposite quarter, Egypt is no more than the threshold of the Arab domain in Africa. Moreover, in the non-independent section of the Arab world Palestine is by no means the only province in which there is trouble. Far away in Morocco, for instance, a tug-of-war is taking place at this moment between the Arab, or Arabicised, Moroccans

of the Atlantic lowlands and their French overlords to decide whether the Berber highlanders of the Atlas—the last reservoir of white barbarians since the compulsory civilisation of the Scottish Highlands after 1745—are to be converted into Arabs or into Frenchmen.

Thus even the Arab representation at this week's London Conference is by no means fully representative of the whole Arab world; at the same time, it is sufficiently representative of the heart of it to be able to act with authority in the name of all the Arabs everywhere; and it is on this fact, we may guess, that the British Government have pinned their main hopes of securing a settlement. It is hoped, on the one hand, that the non-Palestinian Arab delegations, being less directly affected than their Palestinian brethren by the questions on the agenda of the Conference, may prove to be less intransigent and more inclined towards compromise. On the other hand, there is some idea that the solution of the local problem of Palestine might be facilitated if it were to be linked up with the problem of Arab federation.

Of these two hopes the second probably has more substance in it than the first. On the first point, however much the independent Arab States might hanker after a compromise, they would probably shrink from playing the invidious part of forcing the Palestinian Arabs to accept a status conspicuously less favourable than the full sovereign independence they have all successfully insisted on as a *sine qua non* for themselves. In these circumstances, a strong show of intransigence on the Palestine Arabs' part might reduce the mediating power of the other Arab delegations to vanishing point. By contrast, there would seem to be considerable hope in the project of solving the problem of Palestine within the framework of an Arab federation. For one thing, this federation is widely desired by the Arabs as an end in itself; for another thing, it would reduce the proportions of the menace which, in Arab eyes, Zionism presents to the cause of Arab nationalism. While, within the limits of Palestine, even including Transjordan, there might be a serious danger for the Arabs of being overshadowed, if not overwhelmed, by the Jews, this nightmare would fade away if Palestine were built into an Arab federation extending from Gaza to Aleppo and from Haifa to Basrah.

The construction of an Arab federation is not, however, without inherent difficulties of its own—widely desired though it may be. For, if it is to be a natural, healthy growth, it will have to crystallise round some leading Arab State; and of the five States now represented at the London Conference there are two possible candidates for leadership—namely, Egypt and Saudi Arabia—whose claims might not be easy to reconcile.

In almost every way these two Arab States present the strongest possible contrast to one another. On material and historical grounds the claims of Egypt would carry the day. With her 15 million inhabitants, her valuable crops, her great modernised cities, and her unique position at the

waist of the sea route between Europe and the Far East, Egypt stands to-day in material matters head and shoulders above all other existing Arab States. Culturally she is in an almost equally strong position; the antique religious learning of the old-fashioned world of Islam still centres upon the university mosque of Al-Azhar at Cairo, while conversely the new-fangled Egyptian Press (largely the creation of Syrian and Lebanese Christian Arabs) has a circulation which, expedited by air-mail, now reaches Tunis in one direction and Baghdad in another. Moreover, Egypt's premier position in the Arab world is historically well established; for the sceptre passed to Egypt from Iraq as long ago as A.D. 1258, when the Abbasid Caliphate was extinguished by the Mongol invaders.

On the other hand, Saudi Arabia's claims to leadership are no less impressive, though quite different in kind. In the first place, both King Abdul-Aziz Ibn Saud himself and his people enjoy the immense prestige which goes with their being genuine pure-blooded Arabs, born and bred in Arabia itself, whereas the Egyptians are, after all, by origin merely Arabicised Copts, with a provincial dialect and a rather narrowly parochial Egyptian patriotism. Ibn Saud's domain further includes the Hejaz, which is the Holy Land of Islam and contains its first two holy cities, Mecca and Medina (the third in rank is Jerusalem). In fact, Ibn Saud's present dominions practically coincide with those of the Prophet Muhammad at the high tide of his political success. But the chief asset of Saudi Arabia is Ibn Saud himself: a great statesman, who displays his statesmanship in his moderation. Starting life as an exile, he has since 1901 recovered and greatly enlarged the defunct empire of his Wahhabi forefathers. The first stage of this process brought him into collision with most of his neighbours, since his puritan Wahhabi fighting men were not only fanatical but turbulent and hungry for loot. But within the last dozen years Ibn Saud has tamed his own followers and *pari passu* has improved his relations with all the Arab countries round about—with Iraq, Egypt, the Yaman and even Transjordan, whose Emir is a son of the King Hussein whom he turned out of Mecca. He has been converting the bedouin of Arabia into husbandmen settled in the oases; and, in the nick of time, Fortune has given him the means for carrying through this constructive but ambitious economic and social revolution. Americans have struck oil in Al-Hasa, and the Saudi Government is beginning to draw substantial royalties.

Thus, within the Arab world, Palestine is a small corner. And its fate may well be settled, as the fate of other small corners has been settled before, not by its own wishes so much as by the clash or compromise between the wishes of more powerful neighbours. The task before Mr Malcolm MacDonald and his coadjutors is to act as honest (but not entirely disinterested) brokers not only to Jewish-Arab negotiations but to Egyptian-Saudi Arabian talks as well. And the latter may well be both more fruitful and more decisive than the former.

Science and Economic Progress

EVERY year the report of the Department of Scientific and Industrial Research presents a vivid picture of the vital problems which are steadily being solved by the co-operation of science and industry under the *ægis* of the State. This year's report,* published last week, is no exception. Of the extent to which the community has become dependent upon scientists for abundance and good health in peace-time, as well as for safety and the power to destroy in war, the

* Report of the Department of Scientific and Industrial Research for the year 1937-38. Cmd. 5927. H.M. Stationery Office. 203 pages. 3s.

Department's report gives a small but significant glimpse.

Yet many people nowadays believe that all is far from well with science, and it is perhaps the scientist himself who has most cause to be restive. It is to state the current complaints and misgivings of not a few of his colleagues that Professor Bernal, of Birkbeck College, has written a notable, if rather confused, book.† He is anxious about the poor use that is being made of science.

On scientific researches proper barely one-tenth of one

† "The Social Function of Science." By J. D. Bernal, F.R.S. Routledge. 482 pages. 12s. 6d.

per cent. of the national income is spent annually by the State, the universities and industry combined; and this despite the fact that (according to a highly hazardous calculation quoted by Professor Bernal) the eightfold increase in the national income in the last hundred years would have been impossible save for a total expenditure of about £100 millions in all on scientific research. He scarcely recognises, however, what is really the limiting factor in technical progress. The advance he cites would have been wholly impossible without the application of capital resources to the exploitation of invention, and the sum of those resources at any point of time is strictly limited.

Professor Bernal wants a tenfold expansion in expenditure on scientific research. He wants a horizontal reorganisation of research to bring, say, physics, chemistry and biology into closer contact, and a vertical reorganisation to weave theoretical researchers, experimental scientists, technicians and business firms into a conscious and continuous chain. "The task of the future (he says) is to make the work of the scientist more conscious, more organised and more effective." At present he estimates that the wastage of money and effort applied to research in science varies between 50 and 90 per cent. He claims that an increase in annual research expenditure from about £5 millions to, say, £40-50 millions, coupled with improved organisation, might raise the national income by more than a quarter and social welfare *pro rata*. This calculation based as it is on estimates of recorded achievement, is scarcely sound. To say that the expenditure of £x on research in the past has increased the national income by £y is by no means to prove that the expenditure of £2x in the future will increase the national income by £2y. It all depends upon the amount of capital available to apply and exploit the discoveries made.

The lions in the way of Professor Bernal's millenium are economic. In the first place, science must show quick profits to induce industrialists to spend money on it. Subsidies from industry and the State are science's sole means of support. "Science is thought of and paid for in proportion to increased value of products or reduction of costs": it must show a profit. The trouble is that the profitability of new developments in research is never certain. Financing invention is risky; competitive concerns are seldom inclined to large-scale hazards; and, since research is a long-term speculative venture, it is easy and obvious to scrap it when times are bad. The enormous secular benefits of scientific research in general are easy to show; the immediate advantages of particular pieces of inquiry to particular firms are not demonstrable. Boulton spent £70,000 before he saw a penny back on Watt's steam engine patent.

Nor is this all. Science may be too successful for commercial enterprises to stomach. Successful research may render costly plant and equipment obsolete on a wide scale. Already new plant may be wholly written off in four, or even two, years; and science is something deliberately held in check to prevent an even faster rate of obsolescence. There are other difficulties. It is true that, in time, the demand generated by the introduction of new machines must vastly outweigh the unemployment caused immediately; the whole of economic history proves this. But technological unemployment is a real phenomenon: something like one-seventh of American unemployment over a period of years has been attributed to it; and Lord Stamp has calculated that some 250,000 of the unemployed in Britain may be the victims of scientific innovation.

So far Professor Bernal sees the dilemma he wants to expose plainly. There are mass demands for plentiful and nutritive foodstuffs, for new, more varied and inexpensive clothing materials, for more convenient and more habitable houses, for more durable motor-cars of new design

and for greater control of health and disease; and scores of scientists are more than half-way to furnishing solutions to these problems. The need for more rapid application of scientific discoveries seems evident. Yet advance seems to be arbitrarily blocked and checked.

It must be insisted again, however, that what Professor Bernal and a multitude of other critics forget is that the rate of technical advance is dependent not only on the flow of scientific discovery, but much more directly upon the capital resources available to embody those discoveries; the higher the fraction of the community's total resources that is devoted to technological development the smaller is the fraction that can be put to other uses. Scientific progress is not expansible at will, because our resources are not freely expansible. And, moreover, the social revolution which Professor Bernal, in his generous indignation, seems to sponsor would not alter this limitation by one iota. After all, the fact that the two countries which, over the past two decades, have enjoyed the highest rate of technological progress are probably Soviet Russia and the United States suggests that ideologies and forms of political organisation have little decisive influence in the matter. The initial consequences of revolutionary change would be retrograde because resources would be destroyed or pass out of use, and the problem of the Socialist economy would be the same as our own problem: how to make the best use of available resources by parcelling them out between a host of alternative employments of which the pursuit of scientific discovery and the exploitation of invention would be one. Scientific inventions can be rapidly exploited and the supply of goods for consumption increased in the future if the community will limit its consumption now. A dictatorial regime may advance more rapidly than a free one if it chooses to impose a restriction of consumption. But it is this use of compulsive power, and not the social theory held by the rulers, that effects the result.

On the other hand, bearing in mind that a quart can never be got out of a pint pot, it would be mere reaction to claim that Professor Bernal's points have no practical validity whatever. His larger claims are simply flights of fancy, because he has little or no understanding of the real economic issues involved. His less ambitious claims are well founded. It is true that, even within the limits of the resources which the community is at present willing, by refraining from consumption, to set free for embodying the scientists' inventions, we are not getting the best possible returns from science and invention. There is a margin of wastage which might be much diminished. The problems of technological unemployment, high obsolescence charges, economic instability and the long-term financing of invention "cannot be spirited away"; but they can be very much eased. The lack of financial facilities for invention and research is not an inevitable feature of the capital market, but a flaw. Industry's annual contribution of less than £3 millions to official and independent research is far below the limit imposed by considerations of profit and loss. That the coal industry should contribute no more than 0.003 per cent. of the value of its net product yearly to joint research with the State, the iron and steel industry 0.07 per cent., the automobile industry 0.03 per cent., the electrical and allied industries 0.18 per cent., the textile trades 0.08 per cent. and the food and drink trades 0.03 per cent., is due to traditional apathy, not commercial common sense. That consumers should be mulcted in taxes or high prices for an elaborate structure of subsidies, tariffs, forced mergers and marketing schemes, which makes practically no provision for research to improve products or lower their cost, is unreasonable. There is an open-and-shut case for heavier expenditure by both the State and industry, even by compulsory means.

On the broader question of the adjustment that invention may make necessary, too, the responsibility of the

State and private enterprise is similar. The impact of science, like the recurrence of trade cycles, calls for flexible long-term budgeting, for new methods of accounting and less obeisance to the state of the balance sheet on a fixed annual date. Industry's obsolescence policy must be adjusted to the rate of technical progress, not the rate of progress to the dictates of the accountants. The long-term cost of scientific research must be borne. Clearly the task is one for Governments and industries in collaboration rather than for single firms. We cannot claim that more technical progress is impossible within the limits set by economic facts. All we can say is that unlimited and sweeping advance is quite impossible unless our resources enormously expand, or our present consumption is severely restricted.

In large measure the immediate problem of obviating the unnecessary waste of science and invention which does exist is one of education. It is a dull and lifeless

science to which we are tentatively introduced at school (*vide* the recent Spens Report). It is an out-of-date and socially meaningless science which is frequently taught at universities. It is an inaccurate and distorted science that is given news space in the Press—far inferior to the contents of the entertainment and sports columns. The leaders of our public life are lawyers and business men, with hardly a sprinkling of scientists. And industry is no better placed: in nine electrical or chemical firms, all of which owe their entire existence to science and were founded by men of scientific attainments, firms which control three-quarters of industrial researches, only 13 out of 114 directors have any scientific qualifications. So long as this remains an Age of Science, but not of scientifically-minded people, we will throw away with one hand the prizes we pluck with the other. We lose in wealth and welfare far more than we short-sightedly gain by an indifferent ignorance that has become traditional.

Rising Interest Rates

NO department of economic discussion is more confused than the theory of interest. Some economists explain all economic change by reference to movements in "pure" rates of interest—a concept which can be defined for analytical purposes, but has no counterpart in the City. There is another school (*vide* Oxford Economic Papers, No. 1) which is sceptical about the effects of changing interest rates upon the policy of the average business man. Yet when the latter is not feeling too confident he apparently appreciates occasional reminders from the Treasury Bench that cheap money remains the cornerstone of domestic economic policy.

The truth is, of course, that the price paid for new capital includes something more than pure interest. Even British Government credit includes its risk element—to cover political uncertainties and major economic changes, like violent movements in commodity prices. And it happens that last year, for the first time since 1932, political factors assumed crucial importance. As for industrial borrowing, the sharp fall in economic activity during the year heightened the industrial risk element in the terms for new debentures and preference shares. In the table at the foot of this page the amount of new capital raised and the price paid by Government, corporation and industrial borrowers are set out, together with similar details relating to conversion issues. And in the chart the course of the average rate of interest paid by the British Government on long-term borrowing since 1929 is compared with the rates on industrial debentures and preference shares.

The rising price of new capital last year is obvious from

these figures. Rates on new gilt-edged issues depend, in part, upon the life of the issue concerned, and the average rates each year are therefore not always comparable. But it seems significant that, last year, the average yield on gilt-edged borrowing by prospectus was higher than at any time since 1932. Hitherto, the Treasury has been virtually in the position of a dictator, and when it drove a hard bargain with the investor (as on the occasion of the first Defence loan in 1937) it could, and did, fall back on the public departments to act as its underwriters, confident in the assumption that the public would sooner or later absorb the bulk of the loan. The change in the official attitude is clearly marked by the comparatively generous terms adopted for the second instalment of Defence borrowing last year (which carried a redemption yield of £3 2s. 8d. per cent. against £2 11s. per cent. for the first *tranche*). Out of £400 millions originally authorised to be borrowed by the Defence Loans Act, some £195 millions, in round figures, has been included in the Defence Estimates and £178 millions actually raised by loan. And the total figure is itself to be increased "at the appropriate time" this year. Hence, instead of using the spur, the Treasury must now cajole, and provide more attractive terms for the gilt-edged investor.

The rise in borrowing rates last year is therefore unlikely to be reversed in the near future. There is no sign that the banking system is being prepared to absorb an appreciable volume of investments—indeed, some observers have recently expressed the fear that gilt-edged portfolios might have to be reduced if the banks are to

AVERAGE RATES OF INTEREST ON NEW CAPITAL

Years	Government Issues				*British Corporations	Industrial				Conversion Issues															
	British Government		British Empire			Debs., etc.		Pref. Shares		British Government			British Empire Governments			Foreign Government			British Corporations			Industrial†			
	(a)																								
	Amount £'000	Per cent.	Amount £'000	Per cent.		Amount £'000	Per cent.	Amount £'000	Per cent.	Amount £'000	Per cent.	Amount £'000	Prev. Yld.	New Yld.	Amount £'000	Prev. Yld.	New Yld.	Amount £'000	Prev. Yld.	New Yld.	Amount £'000	Prev. Yld.	New Yld.	Amount £'000	Prev. Yld.
1929	67,000	5.00	26,366	4.97	8,316	4.96	25,849	5.48	32,047	6.58	166,000	5.00	5.00	24,914	5.50	4.95	Nil	...	...	5,551	3.50	4.50	Nil	...	...
1932	107,589	3.50	23,761	4.60	28,832	4.75	6,111	5.44	12,838	6.32	2,362,500	4.90	3.36	18,052	5.82	4.82	Nil	...	...	3,336	4.33	4.05	10,536	6.00	4.70
1933	146,298	2.99	25,139	4.02	24,542	4.66	16,858	4.58	12,166	5.28	50,757	4.50	2.98	110,850	5.52	3.85	Nil	...	...	Nil	...	...	61,334	5.45	4.52
1936	61,304	2.85	375	3.50	41,751	3.21	18,913	4.17	24,151	4.99	37,196	3.06	2.85	42,208	4.72	3.07	12,024	5.57	4.11	19,615	5.37	3.11	29,062	4.72	4.00
1937	99,500	2.55	2,475	3.45	34,875	3.41	18,956	4.13	19,510	4.86	Nil	...	...	23,338	3.50	3.77	Nil	...	...	Nil	...	...	9,303	5.72	4.40
1938	78,400	3.13	6,930	3.82	24,885	3.38	22,844	4.32	12,524	5.13	Nil	...	...	13,296	3.21	3.48	Nil	...	...	5,211	5.69	3.39	4,710	5.17	4.28
New Basis‡	61,304	2.85	885	3.33	46,942	3.60	36,877	3.95	40,676	4.78	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
1936	146,887	2.82	3,733	3.60	36,486	3.44	26,282	4.33	31,291	4.70	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
1937	146,887	2.82	7,886	3.75	27,078	3.39	33,215	4.13	21,696	4.96	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
1938	78,400	3.13									...	...	...	...	...	...	...	...	...	...	...	...	...	...	...

* Including issues by Public Boards, etc. ‡ Excluding issues under Trade Facilities Act. † Including, in addition to prospectus borrowing, all capital made available by Stock Exchanges placing and permission to deal. (a) Excluding National Savings Certificates.

maintain their usual liquidity ratios. If this were true, the Treasury would find it difficult to maintain low bill rates and low long-term rates at the same time.

British corporations borrowed £10 millions less last year than in 1937, and paid approximately the same rate (3.38 per cent.). But the queue of borrowers had been much reduced during the previous two years, and for considerable periods of 1938 there was an effective close season to new corporation borrowing. Hence the average corporation rate deserves much less emphasis than the rates on industrial debentures and preference shares. Under each of these headings the amount of new borrowing increased last year—a natural movement in a year of recession, when equity issues cannot be so readily made—but the rates paid increased by one-fifth and one-quarter of one per cent. respectively. The industrial risk inherent in both types of new borrowing may be measured by comparing the yields on the new issues—4.32 per cent. on debentures and 5.13 per cent. on preference shares—with the yields of the more seasoned groups of miscellaneous industrial debentures and preference shares included in the Actuaries' Index, which stood at 3.98 per cent. and 4.46 per cent. respectively at the end of last year. On the other hand, the margin between the yields on the old and the new securities is much smaller if the "new" category is expected to cover securities placed in the market or granted permission to deal as well as public issues.

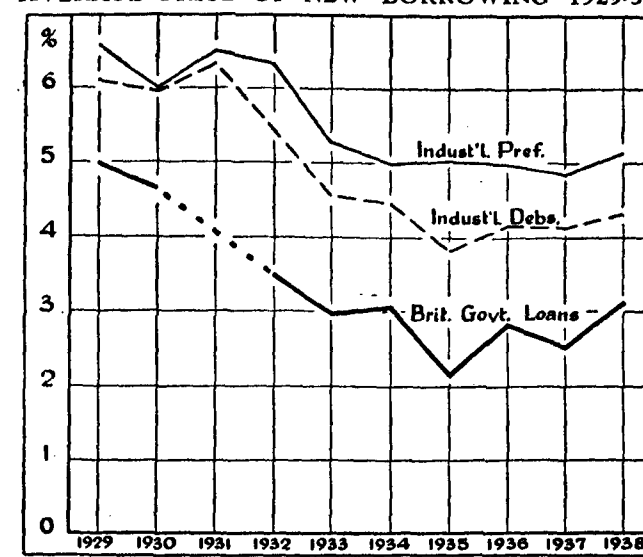
The second section of the table demonstrates the narrowing scope for conversion issues last year. Such operations were for smaller amounts, and the converted stocks carried lower rates of interest, in most cases, than in previous years. So much depends upon accidents of the calendar in conversion issues (Australia, for instance, has actually reconverted some issues previously converted earlier in the present low-interest cycle) that the slight fall in the average new yields on converted Empire and Industrial securities last year probably has no special significance.

Topics of the Week

Rail-Road Peace.—The compromise achieved after protracted negotiations between rail and road representatives, while it may not satisfy everyone, does at least hold out the possibility of the establishment of a workable co-ordinated rates structure within a reasonable period. The precedent for rates agreements of the type proposed is, of course, the agreement already in force between the South Wales hauliers and the Great Western Railway, and presumably this was an important factor in the negotiations, since it provided a basis for agreement that was already in operation and working satisfactorily. The road haulage industry, which has already done much of the spade work for a rates structure for road operations, has established area committees, and these will be empowered to negotiate rates agreements for their areas with the local railway officials. The level of rates agreed upon will, on the road side, be based on cost-plus-profit, and will then have to be adjusted to meet with the railway view of what is satisfactory, with, in some cases, a further allowance for what the traffic will bear. Broader issues between the two parties will be decided by a central consultative committee formed of representatives of both rail and road. The road operators, knowing the limitations of an industry with such a large number of operating units, have wisely suggested that there should be some form of statutory control to render adherence to rates agreements enforceable, and provision for this will be included in any railway Bill. In addition to the provision for rates agreements, the railways have undertaken not to oppose, for two years, applications for additional vehicles made by existing holders of "A" and "B" licences, with a limit of twenty-five miles on the operating radius of the latter. This clears up a matter

What of the future? At no time since 1932 has the part of management been so important in the maintenance of low interest rates. Recent steps to reimpose control over transactions involving foreign securities or exchange speculation (though not direct business in overseas investments) show that this point is officially recognised. So far as the gilt-edged market is concerned it is probable that comparatively little "hot money" remains. Hence the problem

AVERAGE PRICE OF NEW BORROWING 1929-38



of management is to that extent eased. But the margin between net available savings and defence borrowing requirements is not so large that tactful direction of the market has ceased to be needed. And a year which will contain an enormous peace-time Budget, possibly a General Election, and almost certainly a recurrence of political nervousness, will provide the authorities with the keenest tests.

about which road operators have felt strongly for some time. Altogether the rail-road agreement should make for a better understanding between the two forms of transport, a very necessary prelude to any form of co-ordination. Both sides seem to come quite well out of the deal. The road operators are given concessions that represent remarkably good progress for such a young and loosely-knit industry. The railways in return are given an assurance that no objection will be raised to their "Square Deal" proposals. Thus the railways have surmounted the main obstacle to their goal. It remains to see how the trading community will react to the sight of rail and road walking hand-in-hand. They have two safeguards—they can go to the enlarged rates tribunal and appeal against any rates they consider unreasonable, or they can take out a "C" licence, which the railways have stated they will not attempt to restrict. This may or may not be considered sufficient safeguard. Clearly it will be the trading community who will have to pay for any improvement in transport finances resulting from the rail-road agreement and, even though it will be the consumer who ultimately pays, the trader may not take kindly to the idea. The success of the railways' campaign will clearly depend now upon their negotiations with the trading organisations.

Regional Defence.—It has long been apparent that the absence of any regional framework of administration, to co-ordinate the efforts of local authorities over wide areas and to bring representatives of the central defence departments, civil and military, more closely into touch

with the detailed execution of air raid precautions, was a serious defect in Britain's defence preparations. Sir John Anderson's decision, announced a week ago, to appoint regional commissioners in twelve large areas (corresponding with the present Ministry of Labour divisions) and to provide each with a war staff representative of local A.R.P. authorities and Government defence departments, is accordingly to be welcomed on general strategic and organisational grounds. In detail, however, the scheme is not wholly satisfactory. In one respect it hardly goes far enough: in peace-time the regional structure will remain no more than a "shadow" framework, with the commissioners and their staffs holding only a watching brief. In another respect it may prove to go too far: in the event of a breakdown in communications during hostilities the regional commissioners, who will be nominated as men of standing and not elected or chosen as democratically popular leaders, will be vested under the Defence of the Realm Regulations with the full powers of His Majesty's Government and will exercise unlimited authority. The need to safeguard the maintenance of law, order and government in emergency is clear; but the rumoured refusal of Mr Herbert Morrison (who, incidentally, would surely be chosen for the job were a ballot taken) to serve as London's "dictator apparent" is scarcely surprising.

Air Raid Precautions.—Discussion of the Government's plans to safeguard the population against attack from the air has narrowed down to a single point of basic principle. There can be no doubt that the advent of Sir John Anderson to direct civil defence measures has immensely speeded-up preparations. Manufacture of the steel household air-raid shelters, which will be delivered late this month and early in March, free to householders with incomes of £250 a year or less (with allowances of £50 for each child of school age in excess of two) is in full swing. The training and organisation of air-raid wardens in London is to be placed in charge of the police force to ensure discipline and efficiency and to avoid the development of bodies with overlapping functions and responsibilities; and it is said that wardens, who have everywhere semi-police tasks, may be similarly joined to the regulars in other cities. In addition, a regional framework for civil defence has been devised. It is by no means enough, however, that the need for taut organisation and the speediest possible execution of short-term measures should have become clearly recognised. There is no section of opinion now—unless the Treasury be excluded—that does not demand the equally expeditious undertaking of long-term measures, such as the construction of deep shelters and evacuation camps, which will give an immeasurably greater degree of safety. This is the crucial issue at which the Government still boggle. It has been made very clear in recent weeks by the bold proposals of Finsbury Borough Council to provide bomb-proof shelters at a cost of less than £11 per head (less expensive and more efficient, by his own admission, than Professor Haldane's projected tunnels). It may be made even clearer by the newly-formed Air Defence League* which will be set up with the backing of people from every walk of public life and every political group to impress upon the people the urgency of the present A.R.P. position and to focus attention on the steps that ought to be taken. Already the Government has been pushed well beyond its first obstinate entrenchments by widespread pressure. Further forced retreats will be a victory for commonsense and public safety.

Arms Progress Approved.—At first glance the general approbation voiced in the preliminary report of the recently-formed Industrial Advisory Panel on Re-armament, which was communicated to the Commons by the Prime Minister a week ago, suggested to some sceptics that its members were over-anxious to find everything in the garden lovely. Closer examination of the letter in which

the report was contained, however, shows, first of all, that since the end of December the Panel have made a very careful investigation, in 15 meetings and from special memoranda, of the present position of supplies for anti-aircraft equipment, fire-fighting equipment, naval building, aircraft construction, synthetic oil output and the production of scientific instruments; and, secondly, that they are sincerely satisfied, in the light of their unquestionable knowledge and experience, that "a most difficult task of great complexity" is being rapidly accomplished with efficiency and foresight. Even so, the issues which led many of the Government's critics to call for a Ministry of Supply to co-ordinate defence contracts and arms output are not affected by the encouraging conclusions of the Panel. "The results obtained up to the present time (they say) could not have been achieved without the whole-hearted co-operation of industry operating, it must be remembered, on a peace-time basis." "The Service Departments, supported by the Treasury (they declare) are, as far as circumstances permit, accomplishing a most difficult task." No doubt notable work is being done within the limits set by present policy. But is that policy sufficient to ensure that Britain will achieve, in the shortest possible time, that defence equipment and striking power which alone can guarantee herself and her allies against diplomatic blackmail and aggression? Or are more drastic measures still needed?

War Damage.—Preparations for war have become a chief economic activity, and the certain risks of warfare are now a main item in business calculations. Uncertainty about the way in which the cost of war damage will be met has been a deterrent to building and even to the occupation of new premises. In the most general terms the Government is now pledged to produce some plan to meet war damage, so far as it may be financially possible, when the war ends; and, in addition, a scheme to compensate civilians injured in air raids has been announced. Last week the legal rights and liabilities of persons interested in buildings damaged in war were defined in the report of a committee lately set up by the Lord Chancellor. Since neither insurance companies nor the Government have found it feasible to promote a scheme for insurance against war risks, the committee propose that lessors or lessees should be relieved from any obligation, express or implied, to repair war damage to buildings; nor is it, in their view, reasonable that leases should remain in force or rent continue to be paid where premises have been rendered uninhabitable. Mortgagors, too, should be relieved of their obligation to make good war damage, and their failure to do so should not cause any advance of the date of payment of the principal due. These proposals are simple common sense, but they scarcely diminish the prevailing sense of uncertainty, and are certainly not calculated to reduce fears of hardship. Until the root question of who will pay

Every facility for
BANKING
business on
SWEDEN

**SKANDINAVISKA
BANKEN**

Central Offices at Göteborg, Stockholm
and Malmö

CABLES (FOR ALL OFFICES AND BRANCHES)
SKANDINAVBANK

* 10 Great College Street, London, S.W.1.

the cost of war damage is clearly answered, all other arrangements are merely interim adjustments. And the Government cannot avoid the issue simply by saying that the problem is too big.

Serbs and Croats.—"The measure of Prince Paul as a statesman will be taken by his handling of the Croat case," we wrote on January 28th, "He must soon decide whether it is to be suppression or appeasement." On February 6th, by removing from power the man who had come to symbolise in Croatian thought all who opposed their case, Prince Paul decided for appeasement. The method adopted was for five members of Dr Stoyadinovich's Government, two Slovenes, two Bosniak Moslems, and the Serbian M. Tsvetkovitch who is now Prime Minister, to resign because they considered, on the score of election pledges and of "other important reasons of State," that "the way must be prepared, and travelled as soon as possible, towards a solution of the Croat problem," and that the Government of Dr Stoyadinovich was not capable of doing that. The Croat problem, quite simply, is a demand for de-centralisation from Serbian Belgrade which in the course of time has become a demand for full-blown administrative autonomy. Last December's elections screwed the tension tighter than ever, for although 107 Croat candidates received majorities, only 48 slipped through the complicated electoral procedure and managed to get seats in the Skupshtina; and those 48, under orders from Zagreb, have decided not to take their seats at least until the electoral law has been reformed. The next move came about three weeks ago, when Dr Koroshetz, leading Slovene and veteran Minister of the Interior, resigned "for reasons of health" which were clearly not the true ones; and, at the same time, M. Tsvetkovitch, who wields considerable influence as leader of the Yugoslav labour organisation, was reported to be having conversations with Dr Matchek in Zagreb. Something was obviously in the wind; and the course of debates in the Skupshtina, with the little Serbian Opposition hotly protesting against the electoral procedure and the treatment of the Croats, showed which way the wind was blowing. For Yugoslavia, Prince Paul's gesture to the Croats may be as memorable as that famous Declaration of Corfu which proclaimed the unity of the Croats, Serbs and Slovenes in 1917: if he can persuade Dr Matchek, cautiously biding his time in Zagreb, that he is in earnest and willing to press on Serbian opinion the necessary sacrifice of administrative authority, he will deserve the congratulations of all who wish to see a prosperous Yugoslavia. The next few weeks will tell.

A New Little Entente?—The changes in Belgrade were clearly neither palatable nor expected in Berlin or Rome, and the question is inevitably being asked whether

they had any motive in foreign policy. In particular, are they part of a desire, with which Roumania would have obvious sympathy, to strengthen the northern and western defences of the Balkan Entente against encroachment into its area by Great Powers? There is plausibility in this explanation, and conceivably a core of truth. Yet Yugoslavia's foreign policy since the re-armament of Germany has been Prince Paul's as much as his Prime Minister's; and not only has that policy been fairly successful in steering the Yugoslav Government through the Scylla of sanctions and the Charybdis of what followed on their collapse, but there now exists no immediate alternative. By flirting with the Dictators, both Roumania and Yugoslavia may be able to avoid being taken headlong into their arms. In favourable circumstances they would obviously wish (much as Colonel Beck wished not long ago) to make the Balkan Entente and alliances such as that between Poland and Roumania into a barrier against German penetration. As far as commercial relations are concerned there is ample evidence—the British purchase of Roumanian wheat, the establishment in Zagreb last October of an Anglo-Yugoslav Chamber of Commerce, the known Yugoslav wish for a new commercial agreement with the United Kingdom and the report that the dinar would be written down against sterling—that the Balkan countries understand the advantage of trading with free-exchange nations. But does the evidence go beyond this? The Balkans cannot afford to antagonise Germany, and to a much lesser extent Italy, without Franco-British cash and confidence; and until we are assured that King Carol received in London more than fine words and a State reception, we remind ourselves that no more in the Balkans than anywhere else will you get something for nothing. A new Little Entente may not be quite impossible; but as far as diplomacy intervened against Dr Stoyadinovich, it seems that it was merely to remove a man who had become hateful to the Croats and embarrassingly beloved by Rome and Berlin. The external effects are not likely to be more than will result from the substitution of one shade of neutrality between the Entente and the Axis for another.

Coalition Clouds in Belgium.—For a small country Belgium has more than its share of politics; and it is a tribute to M. Spaak that, before being finally forced to resign, he was in office (though with re-shuffled Cabinets) for over twelve months of much discord. From the first the Spanish war brought M. Spaak within the play of varying loyalties, the Catholics pulling one way and the Socialists another; and from time to time he has kept himself in office and Belgium from a general election only by resolutely threatening to resign. The Socialists have known better than to force to that length a Prime Minister drawn from their own ranks and pledged to a long programme of social reform; while the Catholics, though liking neither M. Spaak nor his programme, have enough troubles within their own ranks, and can sufficiently gauge the explosive power of Flemish and Walloon federalism to hesitate from the risk of a general election. Popular admiration for King Leopold and relief at the decay of Rexism have also been steady factors. At the end of 1938 the dispute over sending an agent to Burgos was stopped short of political crisis only by the Prime Minister's able manœuvring: he clinched the compromise by accrediting the Burgos agent with diplomatic privileges but not titles, and at the same time salving Socialist consciences by attacking the Non-Intervention Committee in acutely "governessy" terms. By the middle of January the dust had begun to settle, but on Thursday of last week it was kicked up again in a most literal sense by old soldiers' associations demonstrating in the streets of Brussels against the appointment to the Flemish Academy of M. Maertens, odious to them for his participation in the German Council of Flanders during the occupation. M. Spaak was set upon by the demonstrators; and a motion of confidence was passed in the Chamber only by a snap vote of 88 to 86, with seven abstentions. Although the appointment of M. Maertens to the Cabinet was M. Spaak's only tactless step in many difficult months, he has been unable to retrieve

CHRISTIANIA BANK OG KREDITKASSE OSLO

Established 1848

Paid-up Capital and Reserve Funds,
Kr.40.000.000.—.

Oldest Norwegian Private Joint Stock Bank.
Direct correspondents throughout the country.
Offering complete services to banks and firms
doing business on Norway.

Correspondence invited

it, and the Liberals have forced him to resign. M. Spaak deserves recognition for his ability; but, as often happens with coalition Ministries, he is unlikely to get it. His successor will have no easier task.

Bulgaria and the Balkans.—The fact that a German trade mission has been visiting Sofia will remind British exporters that Germany's share of Bulgarian trade has much increased of late. According to a League of Nations' report, Germany and Italy between them in the first ten months of 1938 took 64 per cent. of Bulgarian exports, mostly in foodstuffs; and their share in Bulgarian imports has been accordingly high. As the discontented member of the Balkan galaxy, King Boris may be glad of this good card in an otherwise poor hand: but after the closing of Balkan ranks in 1934 against outside influence and treaty revision, he is being wisely cautious in not overplaying it. He prefers to keep his neighbours smiling. When M. Kiossevanoff pays an official return visit to Angora this month or next, he will ask for (and receive) a renewal of the Turco-Bulgarian treaty of neutrality and arbitration signed in 1929 and valid until next March. Relations with Yugoslavia, long poisoned by Macedonian terrorism, are now on an almost cordial plane; and from Athens General Metaxas recently spoke words of friendship to Bulgaria with whom "we are bound by the Salonika Agreement (of July 31, 1938), on which we base the best of hopes for the development of closer relations." Rumours have been current for months past that Bulgaria would join the Balkan Entente; and it is probably true that the rulers of Roumania, Yugoslavia, and Turkey, if not of Greece, would welcome a means of caulking what may turn out to be an uncomfortable chink in their armour against German political penetration. Obvious difficulties remain in the way of this. None of these countries, and least of all Greece, can forget that Bulgaria came badly out of the Treaty of Sèvres; nor do the Bulgarians, as witness last month's irredentist rioting in Sofia, forget this for themselves. The hills of Thrace are, or were until the Salonika Agreement, a closely-guarded military zone. Much has been done in the last twenty years to harmonise the Balkan quintet: a completion of that work demands a further and lengthy period of peace.

Italian Migration to Abyssinia.—The monthly total of Italian workmen emigrating to Italy's new East African Empire has now declined to such an extent that it only amounts to a few hundred. At the same time the number of workmen repatriated has recently been averaging about 4,000 a month. As can be seen from the table shown below, there has been a net repatriation to Italy since January, 1937, which by last October had come to within 10,000 of the net emigration in 1935 and 1936 and promised shortly to exceed it.

ITALIAN WORKMEN EMIGRATING TO EAST AFRICA				
	Up to end of January, 1937	Remainder of 1937	1938 up to end of October	Total up to end of October
Emigrants ...	168,111	23,938	6,629	198,678
Repatriated ...	59,997	81,364	47,157	188,518
Net emigration	+108,114*	-57,426	-40,528	+10,160

* About half in 1936.

The Italian Government has now decided to cease publishing the number of repatriations on the ground that these include a large number of soldiers who remained in the Empire as workmen after demobilisation. This is, of course, the explanation of what seemed like becoming a paradox. But the position is none the less remarkable. It means that the number of Italian workmen in Abyssinia has so decreased that last October it was only 10,000 more than those demobilised soldiers (they cannot be many) who still remain in Africa as workmen after some 150,000 or more of their fellows have returned home. Either the Italian Government is reducing its expenditure on road-building and other public works or the newly-acquired Empire is proving unattractive to Italian workmen,

whether they originally left their native land as soldiers or civilians. Or more probably both these hypotheses are correct.

Russia and Hungary.—Hungary has joined the Anti-Comintern Pact, and Russia has retorted by closing her legation at Budapest and asking the Hungarian Government to close theirs at Moscow. Apparently, Hungary, before she adhered to the Pact, was warned by Russia that this would be the consequence if she did take that step. On the Russian side a distinction is drawn between this closing of legations and the act of breaking off diplomatic relations. These, the Russians suggest, can still be carried on, if necessary, at the capital of some third country. Russia has not broken off relations with any of the three principal parties to the Pact: Germany, Japan and Italy. The differential treatment of Hungary by Russia is based on an alleged difference between Hungary's status and that of her partners. Hungary, the Russians say, has adhered to the Pact under compulsion, and has thereby proved that she is no longer a fully independent State or deserving of full diplomatic rights. This explanation of the grounds of Russia's action is not only intended to be wounding; the shaft is also likely to strike home, since, in the past, the Hungarians have always been keenly sensitive to even the shadow of foreign, and especially of German, domination. No doubt, too, the Russians wish to deter Hungary's South-East European neighbours from following her example. At this moment, as in the years 1915-16, the Balkan countries are sitting on the fence, still uncertain about the side on which they will eventually come down. If the last war constitutes any precedent, Hungary has now, for the second time within a single lifetime, chosen a side—the wrong side for her. To this, no doubt, a Hungarian might reply that he has not been making a choice, but has been yielding, willy-nilly, to German *force majeure*; and that the Western Powers cannot expect to see Hungary resist this pressure unless they give her some encouragement by themselves showing greater determination than in the recent past.

Defending the Dominions.—From all the British Dominions comes news of the accelerated defence preparations which their Governments, without exception, have seen to be necessary. The Speech from the Throne at the opening of the South African Parliament contained a grave warning that it was necessary to proceed as rapidly as possible with the national defence works. If their attitude towards one possible occasion of war were not already clear enough, the Union Government made it plainer than

WILLS & TRUSTS

In acting as an executor or trustee, the Westminster Bank aims at putting itself in the position of a private trustee. It is therefore its practice to employ the family solicitor, if there is one, or any other solicitor the client may name; by such means the Bank succeeds in combining domestic tradition with business efficiency. A book showing the advantages of corporate executorship and the terms of appointment may be had at any branch

WESTMINSTER BANK LIMITED
Trustee Dept., 53 Threadneedle Street, E.C.2
Also in Piccadilly, Bristol, Liverpool, and Manchester

ever by recently buying, against the competition of the German Government, 700,000 hectares of farming country in South-West Africa. In Australia, attention has been focused on the Government's attempt to obviate compulsory military service—which has been urged upon them from many quarters to Right and Left—by making a success of the drive to secure a voluntary militia of 70,000 men. They claim to be within sight of this objective. They are also following the British voluntary model in laying plans for a national voluntary register. No doubt the success or failure of the present non-compulsory system in Great Britain will also determine the future of Australian defence preparations, though Australia, having once had universal military service without feeling undemocratic, does not suffer from the same prejudices as the Mother Country. The Australian Government has also launched a scheme to store, for her own and United Kingdom purposes large quantities of foodstuffs against a war emergency. Mr Hughes has made his fellow-citizens' flesh creep by declaring that a policy was being hatched abroad that might shake Australia to her foundations. "Whatever comes," he added, "we will meet it as a united Empire." In Canada, Mr Mackenzie King, with unusual boldness, endorsed on behalf of his Government Sir Wilfred Laurier's statement of 1910 that if England was at war Canada was at war, though the degree of her participation was for the Canadian Parliament to decide. This is reported to have greatly disturbed some of his French-Canadian followers. These constitutional worries seem a little beside the point. Does or does not public opinion in the Dominions recognise that in any future British war in which they would be invited to participate there would certainly be at stake every principle for which they stand and everything that enables them to-day to live in honourable safety? If we look at the scene as a whole, undoubtedly the answer is that it does.

* * *

Irish Outrages.—The curiously inefficient campaign of terrorism by members of the Irish Republican Army has continued. It is now revealed that on January 12th Lord Halifax received an ultimatum from certain I.R.A. leaders threatening the use of force if British troops were not withdrawn from the whole of Ireland within four days; and at the preliminary investigation in London of a number of arrested suspects details were given of an alleged plan for wholesale violence to most important public places or essential services. Two London underground stations have been damaged by bombs. Four shops in Coventry have been fired, and bombs, grenades and explosives have been discovered in houses, gardens and tramcars. A number of persons have been injured, but, for the most part, the bombs used have been scarcely less amateur in manufacture or more effective in use than those most Irish of all munitions, the home-made shells in "The Moon in the Yellow River." The outrages are inexcusable, whatever the wrongs of minorities under Ulster law, and they present a serious danger which has justified the close guard set on public buildings. Yet the whole episode has an odd air of unreality, like a faded flash-back to earlier decades. In Eire itself Mr de Valera, who has to be careful not to disassociate himself from anti-partition sentiments, has secured the introduction of two emergency Bills to curb I.R.A. activities. Public opinion there no less than here has been shocked by recent events, though Mr de Valera spoke the minds of many even of the most indignant and law-abiding Irish citizens when he said that, so long as Ulster was separated from Eire, this sort of thing was liable to happen. But though bombs have before now divided countries, they have never yet succeeded in promoting union.

* * *

Libel Law Reforms.—The Bill to amend the law of libel, which was drawn up by private members and the Empire Press Union and introduced in the Commons by Sir Stanley Reed last week, served several useful purposes, although it was eventually withdrawn. In the first place, it enabled a series of speakers to demonstrate once more the precise ways in which the existing law menaces reputa-

ble and responsible writers, publishers and printers. The practice of seeking to extort damages "in circumstances little better than disguised blackmail" has become a regular trade, because it is not necessary for the plaintiff in a libel action to prove either that the defamatory words complained of were intended to apply to him, or that he has actually suffered as a consequence of the defendant's statements. In the second place, the debate revealed that not a few Members were disinclined to support the Bill, not because they approved the present state of the law, but because they disapproved of certain undesirable—and irrelevant—newspaper activities and had a vague fear that the national Press was becoming too powerful. Finally, the Government accepted the case for some measure of amendment, and the Attorney-General announced their decision to set up a Select Committee to examine ways of reform. Last Friday's Bill might well serve as the basis of their proposals; just as certain frank speeches in the debate may serve as reminders to some very small sections of the Press that the price of that freedom of publication, which is essential to democracy and is incomplete under the present libel and official secrets restrictions, is a high sense of social responsibility.

* * *

No New Roads for London.—Hastening to his daily work across London Bridge on foot while streams of buses stand still polluting the atmosphere with carbon monoxide, or urging on his taxi in the inextricable scrum of theatre crowds, the Londoner cannot be quite content that between them the L.C.C. and the Ministry of Transport are doing absolutely nothing about the Bressey report for the reorganisation of London's highways. Last Tuesday the Council decided that it could do nothing unless more money was forthcoming from the Government. The Minister admits the high cost of property in London, and that the expenditure in the County alone will be between £80 and £120 millions. But to justify the limitation of his grant to 60 per cent. of the full net cost he refers to the high rateable value per head of population in London and to the fact that the ratio of highway expenditure to rateable value is lower in London than in other large cities. The Council, whose annual borrowings in the capital market are limited to £10,000,000 (and, in the present circumstances, doubts whether this can be maintained), is unwilling to pledge itself to spend £2,000,000 each year for thirty years on highway improvements alone. It is also somewhat naturally jealous that it has to supply the money for the Government to give 100 per cent. grants to highways, for example, in Scotland; for many years London has subscribed some 15 per cent. of the Road Fund and received 0.1 per cent. from it. As the Bressey roads are essentially in the nature of main through-ways, responsibility for which the Government has already taken over outside London, there is a strong case for a higher rate of grant, especially as heavy other commitments will in all probability fall on the Council. It should not be beyond the wit of the Government to draw up and finance a plan for London one-tenth as ambitious as the plans that are being carried out in New York and Berlin. But it would seem to be essentially a Government problem. After all, the Speaker himself decided this week that the L.C.C.'s proposals for the rating of site values, which are not wholly irrelevant to this topic, were a matter of public policy and could not be put to Parliament in a private Bill.

* * *

Supplementary Estimate.—A supplementary Estimate of £4,549,660 for the Civil Services has been issued this week. The word "civil" is something of a misnomer, since £3,059,110 of the total is required by the Colonial Office (almost all for Palestine), £300,010 for Indian defence and £611,200 for the Stationery Office, the bulk of which is presumably due to the cost of printing the A.R.P. and National Service handbooks. The other items are all small, the largest being £200,000 for Old Age Pensions, the number of beneficiaries having turned out to

be larger than was anticipated. The total of Supplementaries is now £15,976,370, or half as large again as the provision of £10 millions made in the Budget. To judge by the trend of expenditure, further Defence Supplementaries of at least £20 millions will be required before the end of March.

* * *

Census of Production Bill.—This Bill, which came before the House of Commons last week, is relatively small fry; its interest lies not in what it contains, but in what it might contain. Parliament has not always been over-generous in granting powers to collect information to public departments, and no doubt on this occasion the Government took heed at the fate of the Population (Statistics) Bill and decided to reduce their requests to a minimum. Under the Import Duties Act of 1932 the Board of Trade has power to obtain details of the costs and consumption of raw materials and fuel from trades enjoying protection under the Act. For other trades partial information was collected in 1935 by voluntary inquiry; the new Bill grants compulsory powers to collect these items of information from all trades. This is a minor alteration. The Board of Trade is still prohibited from investigating industry's wage bill. Since the war the Ministry of Labour have conducted several inquiries into earnings and hours of work, including one in October, 1938, and the answers to last year's questions will reveal not merely average earnings, as in past years, but the range of earnings from the poorest-paid wage-earner to the most highly remunerated. The response by employers to these inquiries has been extremely good, but it would be of considerable benefit if the Census of Production Bill were amended at the Committee stage to permit of compulsory inquiries into wages. We should then be able to have fully reliable statistics both of the earnings of wage-earners and of the labour costs of industry.

Overseas Correspondence

From Our Special Correspondents

Germany

Colonial Claims

BERLIN, February 6.—Herr Hitler's Reichstag speech threw considerable light on the economic and financial situation of the Third Reich. For those countries interested in international trade, the Chancellor's remarks about the colonial question and exports were of special significance. The cry of "A Nation Without Space" has lost much of its meaning during the Reich's recent expansion, and specifically economic motives, the demand for equal rights and the satisfaction of honour have come to the fore as the chief reasons for colonial claims. In a book entitled "Why Foreign Trade?" Dr Eicke, Director of the Reichsbank, argues that Germany could achieve an immediate yearly saving of upwards of Rm. 200 millions in foreign exchange if her former colonies were returned. Eventually, it is calculated, the Reich could draw from the colonies Rm. 500-600 millions in foodstuffs and raw materials, which would mean that 15 per cent. of what Germany must now import from foreign countries could be taken from the colonies.

One fact is being forgotten. The setting up of a colonial Government and the necessary investment would swallow up sums, which, on any economic and commercial principles, would be far in excess of their usefulness. For the prestige of the National Socialist regime, however, foreign political successes are necessary. The more considerations of over-population recede into the background, the more are honour and the demand for equal rights brought to the fore, and the more will the Third Reich state its colonial claims with unremitting energy. The extent of Germany's colonial demands has been given here before (*The Economist*, November 26th); they will be for at least the return of all her pre-war colonial

Peace in Swedish Industry.—An important aspect of Swedish democracy is its success in obtaining compromise between conflicting interests. By 1935 representatives of workmen and employers had signed 8,583 collective agreements, and a large body of social, industrial and labour laws had by then been built up. In labour relations an important agreement has now been reached between the National Federation of Trade Unions and the National Federation of Employers' Associations, after negotiations extending over 2½ years. These organisations recommend their members to adopt new rules for negotiation which aim at better supervision of working conditions, speedier adjustment of grievances and the prevention of long-drawn-out disputes. The agreement prohibits political and religious persecution, the penalisation of persons involved in settled labour conflicts, and attacks on family undertakings or "third parties." In disputes affecting public utilities, a special committee will consider whether the dispute endangers the public interest, and, if it does, try to prevent or suspend it while arranging a settlement. An important concession gives workers the right to at least one week's notice, both in case of dismissal or temporary reduction of staff, thus mitigating the rule, consistently enforced by the Employers' Federation for over thirty years, and for long a bugbear of the Unions, that the employer shall "freely employ and dismiss workers." But the keystone of the agreement is the establishment of a Labour Market Committee, consisting of three representatives of the Employers' Federation and three of the Trade Unions' Federation. Besides being a conciliation board in disputes concerning public utilities, dismissals and temporary staff reductions, it will act as an arbitration court for differences of opinion over the agreement. Individual employers' associations and workers' unions are free to adopt the agreement at will; and its enforcement will therefore be voluntary. But it should help appreciably towards the sure establishment of peace in industry.

possessions. The Cameroon Railway Company has increased its capital from Rm. 240,000 to Rm. 1,800,000 in order to expand its activities, and it may be expected that other colonial companies will do the same.

At the 1938 party rally, Herr Hitler declared that Germany could not be affected by a blockade. In his Reichstag speech, he declared that the German nation must either "export or die." Although this is clearly an exaggeration, the foreign trade situation in Germany is disquieting, and future supplies of foreign foodstuffs and raw materials are endangered. Foreign trade with the more important nations has lately moved as shown in the table overleaf.

The Need for Exports

Germany's imports rose by approximately 1 per cent. if the two years are compared. This is explained, first, by the heavy demand, which has hardly been influenced by the

BANK OF MONTREAL

(Incorporated in Canada in 1817 with Limited Liability)
Financial Agents of the Government of the Dominion of Canada in London
CAPITAL PAID-UP \$36,000,000
REST AND UNDIVIDED PROFITS \$40,183,254
TOTAL ASSETS IN EXCESS OF \$860,000,000
Head Office: MONTREAL
Sir Charles Gordon, G.B.E., President.
H. R. Drummond, Esq., Major-General The Hon. S. C. Mawburn, C.M.G.,
W. A. Bog, Esq., Vice-Presidents. Jackson Dods, G. W. Spinney, Gen. Managers.
LONDON COMMITTEE { The Most Honourable The Marquess of Willington, P.C.,
G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman).
F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B.
Sir Frederick Williams-Taylor.
London Offices: 47 Threadneedle Street, E.C.2 (Edward Pops, Manager)
9 Waterloo Place, Pall Mall, S.W.1 (J. H. Pangman, Manager)
The Bank undertakes banking business in all parts of the world,
and with its numerous branches offers special facilities in Canada,
Newfoundland and the United States

Country	Exports		Imports	
	1937	1938	1937	1938
(in millions of national currency)				
England	£ 597	533	1,028	920
U.S.A.	\$ 3,349	3,094	3,084	1,961
Germany	Rm. 5,788	5,257	5,375	5,449
France	fr. 23,939	30,585	42,391	45,980
Canada	Can. \$ 1,110	956	809	678
Japan	yen 3,254	2,812	2,903	2,764
Belgium-Luxemburg...	B. fr. 25,689	21,726	27,662	23,235
Holland	H. fl. 1,148	1,039	1,551	1,415
Italy	lire 7,853	7,959	13,592	10,918
Australia	Aust. £ 136	118	113	108
Sweden	kr. 1,994	1,839	2,111	2,068
Argentina	peseta 2,308	1,400	1,558	1,461
Switzerland	S. fr. 1,286	1,317	1,807	1,607
Denmark	kr. 1,568	1,551	1,674	1,641

plan for autarky, and, secondly, by the fact that Germany's own foreign exchange reserves, as well as the foreign exchange and gold reserves of Austria and the Sudeten territory, were entirely pledged in 1938 to the maintenance of imports.

Exports fell by only 9 per cent., which seems small in view of the fact that other countries, including England, suffered much larger declines in their exports. In the case of Germany, however, the decline was of far greater importance, because no foreign exchange is available but that which is acquired through exports. It is this that explains Herr Hitler's vehement demands for more exports, and his announcement of an export offensive.

Although the sharp tone of Herr Hitler's statement was partly based on tactical considerations—they were believed to be especially in reply to Mr Hudson's pronouncements—there should be no delusion about the consequences. The Fuehrer himself stated that the battle for exports might, on the German side, degenerate into a battle of desperation, and that the Government was prepared for anything. Measures have already been taken to make the Deutsche Golddiskontbank, a subsidiary of the Reichsbank, more than ever useful to the furtherance of exports. This may mean that dumping is to be intensified through further levies designed to aid exports.

Some success for the Reich is being anticipated as the outcome of the Anglo-German industrial discussions. There is satisfaction about the coal agreement already reached. Further discussions will probably be held in Cologne, and, since an understanding is desired by both sides, some sort of agreement may be expected. The significance of any agreement should not, however, be overestimated. Too rigid price arrangements might lead to trouble with countries which buy from England and Germany.

Germany intends to meet the English and American export drives by a far-reaching centralisation of the export activities of German undertakings, and by the organisation of more than 10,000 foreign representatives. At the same time Germany is planning to overcome the chief difficulty which stands in its way—the greater ability of its competitors to grant credits. The intention is to expand still further the bilateral and barter method trade system, by offering "to make long-term contracts for deliveries of foodstuffs and raw materials at above world market prices."

The German-Italian economic talks in Rome are almost at an end. The negotiations have dealt mainly with the price of Italian products. It is known that Italy has granted preferential prices to Austria and the Sudeten territory. German-Yugoslav economic conversations are taking place in Berlin, and Yugoslavia has asked for a lowering in the mark exchange for settlements.

France

Laggard Production

PARIS, February 9.—Fiscal receipts in December amounted to nearly 6,000 million francs, of which some 4,980 millions represented normal receipts. This was 1,000 millions more than in December, 1937. The increase was mainly due to the rise in prices and higher taxes, but partly also to the revival of business. For the whole of 1938, receipts were 47,500 million francs against 37,839 millions in 1937, an increase of 25 per cent.

Statistics seem to show that the rate of the increase in fiscal receipts is greater than the rate of the rise in prices. It is for this reason that it is concluded that business is reviving. Headway in production, however, is slow. Capital must first come back, and then it must be invested, which is what M. Reynaud envisaged. Three months after the publication

of his decrees, a survey by Professor Charles Rist suggests that the classical process of recovery envisaged by the Minister of Finance is in fact going on. Capital is returning, short-term interest rates are falling, and there is a revival in investment. Not that the rise in investment is very rapid; bank credits are still too expensive. And there is a continual contradiction between the liberal policy of M. Reynaud and the persistent foreign anxiety which tends to paralyse the markets. The Minister has taken the first steps, but circumstances outside of France impose a policy of "wait and see" upon industrialists and business men.

If the return of capital and the revival of investment seem to act too slowly, then a monetary or credit expansion might help recovery along. But it is not certain that such an increase of monetary media would not end in inflation and a steepening rise in prices. This fear is important, and there are still doubts in workers' and employers' minds about the revision, on the one hand, of the forty-hour week, and, on the other, of methods of production. Theories have still to be broken down, said the rapporteur of the Senate Finance Committee recently. Totalitarianism and exaggerated New Dealism have been condemned, but the thrifty and productive path has still not been discovered.

Recovery in Metal Trades

The following figures show an appreciable revival in French metallurgical production since last September.

	Pig Iron		Steel	
	1937	1938	1937	1938
First quarter	1,814	1,753	1,911	1,748
Second quarter	2,005	1,425	2,022	1,481
Third quarter	2,029	1,299	1,916	1,325
Fourth quarter	2,069	1,574	2,054	1,621
Total	7,917	6,051	7,903	6,175

Monthly average

The number of furnaces in use, after a fall from 105 in December, 1937, to 76 in September, 1938, recovered to 83 in October, 84 in November and 86 in December. Progress in the metal trades at the end of the year was principally due to higher exports: they were 91,000 tons in May, 189,000 tons in November and 204,000 tons in December, and were stimulated by the low level of French prices. In addition armament orders at home picked up because the position of the Treasury improved.

The lowering of the rate of interest will permit the *Groupement de l'Electricité*, an association of great French electrical companies for the mobilising of savings more easily, to issue a loan of 200 million francs in debentures of 1,000 francs, issued at 930 and giving a yield of 5.75 per cent. The debentures in the Association's previous loan of 500 millions last July were of a 6.50 per cent. type issued at 900.

Total investments of 10,000 million francs in five years will considerably increase the electrical capacity of the country. According to the annual report of the Budget for Public Works, France must still buy vast quantities of energy abroad, so that the increase in domestic capacity is welcome. New plants for the hydrogenation of coal, too, have been set up and France may rapidly cover a large part of the needs of its aviation for special petrol.

Fall in Foreign Trade

The import surplus increased in January to 1,158 million francs, against 922 millions in December, 1938:—

	(Millions of francs)		
	January, 1938	December, 1938	January, 1939
Imports:—			
Foodstuffs	962	1,133	1,109
Raw materials	2,367	2,426	2,290
Manufactured goods	556	655	579
Totals	3,885	4,214	3,978
Exports:—			
Foodstuffs	310	594	423
Raw materials	867	999	830
Manufactured goods	1,262	1,699	1,557
Totals	2,439	3,292	2,820
Deficit	1,446	922	1,158

The fall of volume was principally in imports and exports of raw materials: coal imports and iron ore exports fell. Imports and exports of manufactured goods also declined.

The Wheat Office has estimated the present stocks of wheat at 105,300,000 quintals, after a crop divided as follows:—

(Quintals)	
France	97,500,000
Algeria	2,800,000
Tunisia	1,800,000
Morocco	1,460,000
	103,560,000

Needs being estimated at 79,177,000 quintals, the surplus amounts to 26 million quintals, and it is unlikely that more than 12 millions extra can be absorbed. The recent frost caused great damage to the autumn sowings, but it is too early to make any forecast of the 1939 crop. For the time being, the Government is seeking to export the 1938 surplus.

Poland

Currency and Credit Expansion

WARSAW, February 8.—The directors of the Bank of Poland have approved a drastic revision of the Bank's statutes. The operations of the central institution are to be "adapted to the great political and economic changes now taking place," and, says an official statement, "the passive power of gold must give place to the creative power of work and confidence." The new economic policy, to which the functions of the bank of issue are now in process of adaptation, has not yet been clearly defined, but its essence is industrial expansion and the finding of work for idle hands. The primary aim of this industrial expansion, now closely controlled by the State, is acceleration of the defence programme, and the new policy is described as one of "bold conceptions."

Foremost among the changes in the Bank's statutes is one providing for the creation of a fiduciary issue of 800 million zlotys, which may be increased to 1,200 millions, "according to the condition of the money market" and on the approval of the Minister of Finance. At the end of January the note issue stood at 1,348 millions, with a "cover" (gold and foreign exchange) of 30.28 per cent. The legal minimum at present is 30 per cent., and this will now be raised to 40 per cent. for notes and sight liabilities over and above the fiduciary issue. The other changes are mainly in the direction of facilitating credit expansion, converting short-term debts into long-term loans, and the removal of "rigid standards" so that the functions of the Bank can be readily adapted to State policy.

Trade Improvement

The gold and foreign exchange reserve of the Bank was reported at the end of January to be 464.6 million zlotys. The note issue has risen in the last thirteen months from 1,060 to 1,348 millions, and the volume of token coinage from 438 to 460 millions. The need for increased currency has been partly due to the recovery from Czecho-Slovakia last October of the Teschen district and to trade improvement due to the steady development of the defence and public works programmes.

The improvement in trade and prices, however, has been nothing like sufficient yet to account for a 30 per cent. increase in the money supply, and it is probable that most of this increase has been due to individuals carrying more money in their pocket-books than they did a year ago. During the two crises of 1938—over Lithuania in March and Czecho-Slovakia in September—currency withdrawals from the banks were heavy, and were accompanied by difficulties. Now that controlled inflation has been decided on, the velocity of circulation will presumably increase, and this, with a further increase in the amount of currency of several hundred million zlotys, should produce a strong revival in trade for the next few months at least. The immediate response of the markets to the announcement of the new policy was a vigorous rise on the Bourse. The foreign exchange rates, which are now under close official control, were not affected by the announcement.

What is now happening is probably less the inauguration of a new policy than the adaptation of the Bank's statutes to measures which have already been taken, and to a policy which really began when the attempt to carry through a "classical deflation" was abandoned, under the growing pressure of political discontent, in 1935. In April, 1936, currency restrictions in a mild form were introduced, and

since then the trend has been all in the direction of tightening restrictions, currency expansion, and official control over imports, investment and industrial output. Autarky and a war-time economy, in other words, are following their inevitable course.

Budget Estimates

The Finance Bill for the fiscal year beginning April 1, 1939, now before Parliament, estimates revenue and expenditure at 2,523 million zlotys, compared with 2,475 millions for the present year. The 1937-38 Budget closed with expenditure of 2,402 million zlotys and revenue of 2,426 millions. In the years 1937-38 and 1938-39 provision was made to spend, outside the ordinary Budget, about 1,800 millions on public works connected with national defence. This was intended to be a three-year plan, but by the end of March the plan will have been completed in two years. M. Kwiatkowski, the Finance Minister, has announced his intention of spending 2,000 million zlotys on a new three-year plan to begin on April 1, 1939, with the Ministry of War "decisively influencing" the spending programme. Strong opposition developed in Parliament to the alleged inadequacy, in view of existing needs, of the Finance Minister's programme, and the means have now been provided for enlarging the three-year plan.

Denmark

Social Democratic Aims

COPENHAGEN, February 3.—The 23rd Congress of the Danish Social Democratic Party was held at the beginning of January with the Prime Minister, M. Stauning, in the chair. A manifesto, issued at the close of the Congress, emphasised the national and Nordic character of the Labour movement in the Scandinavian countries and, to no little extent, relegated the connection with the Second (Socialist) International to the background. Co-operation with the Third (Communist) International is not in any way desired.

The manifesto further went on to state that the work of the Danish Social Democratic Party will be to unite the whole population in the party and to pursue its principles of justice and humanism; neither sex, race nor religion should be any hindrance to joining the party in its work. More extensive use of domestic raw materials in industry would be encouraged; and the question of too extensive industrial rationalisation resulting in unemployment would be examined. Agriculture must learn, with proper State support, to stand on its own feet; and it is the intention to press on with the social services and old-age pensions. The present policy of not being forced into heavy re-armament will be continued, although some modernisation of the defence forces and their equipment will be done.

Shipbuilding Boom

In the preliminary figures of Danish industrial exports in 1938 it is interesting to note that ships of a total value of 74.3 million kroner were exported by Danish yards, which are now fully booked up with new orders until the end of 1940. Further, a rise from 6.3 to 12.6 million kroner in the item "small arms" can be ascribed to Chinese purchases of a special type of light machine-gun very well adapted to guerilla warfare.

The Life Insurance Board has published some interesting figures. In 1937 policyholders paid 114 million kroner in premiums. At the end of 1937 the total face value of policies in force was 2,509 million kroner, covering 1,487,000 policies. In other words, 40 per cent. of the Danish population

THE COMMERCIAL BANK OF SCOTLAND LIMITED

Incorporated by Royal Charter and Act of Parliament

PAID-UP CAPITAL . . . £2,250,000

RESERVE FUND . . . £3,150,000

ESTABLISHED 1810

had taken out a life insurance policy. But, taken as a whole, the average face value per policy is only small, about 1,687 kroner. If, however, the so-called "Folkeforsikring" (popular life insurance policies of small amounts) is left out of consideration the average amount per insurance policy will be about 3,348 kroner.

Trade with Germany

On November 11, 1938, a trade agreement for 1939 was signed in Berlin between the representatives of the German and Danish Governments, whereby exports to Germany will be maintained at the present level. Published figures of Danish/German trade are as follows:—

(June-September)	Exports to Germany (In Reichsmarks—000's omitted)		Imports from Germany (In Reichsmarks—000's omitted)	
	1937	1938	1937	1938
Food:				
Live animals	11,031	11,466	21	19
Animal products	23,581	24,041	19	35
Vegetable products	170	331	84	162
Stimulants	5	6	105	65
Industry and Handicrafts:				
Raw materials	2,788	2,414	5,111	7,060
Semi-manufactured goods	971	984	7,239	7,912
Finished goods	690	624	44,017	40,858
Returned goods	475	450	4	7
Total, 3rd quarter	39,711	40,316	56,600	56,116
Total, 2nd quarter	33,556	41,603	56,378	44,788
Total, 1st quarter	35,168	41,683	49,590	44,183
Total, January-September	108,435	123,602	162,568	145,087

The monthly average of the index of production was 108 in 1938, compared with 107 in 1937. The rise is due to the fact that the food producing industries and the shipbuilding industry expanded considerably during the year, while production declined in other industries.

Palestine

Population Movements

JERUSALEM, January 27.—The London Conference which it is hoped will yield a settlement of Palestine problems, may result in the stabilisation of the Jewish proportion of the population at a fixed figure. A knowledge of the number of Jews at present in the country, and its relation to the total population, should therefore be useful. For this reason publication of the latest official figures is especially welcome, not the less as a counter to the propagandist figures issued by one side or the other. The latest instance is a leaflet of the Jewish Agency which says that since the war the Jewish population has grown from 60,000 to 430,000, and the Arab population from 550,000 to 950,000.

The Jewish Agency totals are probably not far from the real ones. For Arabs, the Government totals for September 30th last are: Moslems, 895,144; Christians, 109,831; others (Bahais, Alawites, etc.), 11,787. These figures do not include settlers who entered the country by evading the frontier controls, though the number of these among Jews or Arabs is inconsiderable. On the other hand they do include the other and larger class of illegal immigrants, those who entered the country as temporary visitors and remained without permission.

The Fall in Immigration

The increase of both the Arab and the Jewish sections of the population has of late been at a lower rate than previously. On the one hand the rate of natural increase is growing, the number of births per month rising and the number of deaths falling, with the infantile mortality rate also con-

tinuing to fall. But the balance of immigration, which used to represent the greater part of the increase of population, is now second to the natural increase.

While in 1935 the addition to the population by immigration was 64,147, in 1936, the year of the outbreak of the rebellion and of the depression, it was only 31,671; in 1937 it had fallen to 12,475; and in the first ten months of 1938 there was a net reduction in the population of 4,305. Emigration was noticeable among both non-Jews and Jews, but more noticeable among the former, who lost 9,471 on balance. The Jewish population increased by immigration during the ten months of 1938 by only 5,166, although 10,002 Jewish immigrants entered the country during that period. Another 985 who had entered the country as visitors were also registered as immigrants during the ten months. Of the 10,987 registered Jewish immigrants 1,442 were so-called capitalists, owning £1,000 and upwards and 2,512 men and women for whom employment was supposed to have been available. The remaining 7,033 were old people and children dependent on residents or other immigrants for their support. Of the total population of Palestine on September 30th last, 63 per cent. was Moslem, 28.4 per cent. Jewish and 7.7 per cent. Christian.

Hongkong

Banking Business

HONGKONG, January 19.—The favourable comments of the home Press on the final dividend of the Hongkong and Shanghai Banking Corporation, maintained at the same figure as for some years past, are no doubt echoed by the shareholders. The low price of the shares on the London Stock Exchange suggested that a reduction was anticipated, but the further decline since the declaration is difficult to account for. Conditions in the Far East may appear on a superficial view to be discouraging, but apart from the fact that the Bank derives much of its income from territory outside China and Japan, there is no reason to suppose that the bank's dividend and the usual transfer of \$1 million to bank premises account has not been amply covered by the year's profits.

Although banking business during the past year has been carried on under extraordinary difficulties the unique position held by the Hongkong and Shanghai Bank in the Far East has presented many opportunities for profitable business and the chairman's speech at the annual meeting will probably reassure pessimistic shareholders. In any case the chairman's annual review is invariably comprehensive and it will be all the more appreciated if it throws light on a situation which is as obscure to many on the spot as it is to investors 10,000 miles away.

The Course of Trade

The value of the trade of Hongkong for the year 1938, apart from bullion, surpassed all previous recorded figures. The following comparative table shows the imports and exports for the past three years:—

	(In million dols.)		
	1936	1937	1938
Imports:—			
Merchandise	452.3	617.0	618.1
Treasure	72.7	385.5	9.6
Total	525.0	1,002.5	627.7
Exports:—			
Merchandise	350.8	467.3	511.9
Treasure	143.8	395.2	188.1
Total	494.6	862.5	700.0

Imports from China were up by 10 per cent. to \$232.2 millions, while exports increased by over 20 per cent. to \$230.7 millions. The last two months of the year, however, showed a sharp decline compared with the corresponding months of last year, and in consequence of the fall of Canton and Hankow, the trade with South China, in November and December, was lower than at any time since the boycott of 1925. It will be noted from the table that movements of treasure were much smaller than in the two previous years.

The past year was notable for the transfer of the headquarters of the tea trade to Hongkong. The leading Shanghai tea merchants have opened offices in Hongkong and the Chinese Government an official tea agency. Tea grown in various parts of China was transported to Hongkong for shipment to world markets, the total value of exports being \$16.1 millions. Soviet Russia's purchases amounted to 16,772,000 lbs., valued at over \$9 millions.

Although the Pearl River, like the Yangtze, is still closed

to non-Japanese cargo shipping, the Japanese authorities, being anxious to attract Chinese traders to Canton, have arranged a passenger steamer service with Macao. Foreigners are dependent on the gunboat service with Hongkong, supplemented by one weekly steamer which does the round trip but is not allowed to carry cargo or mails. The population of Canton is now estimated at 300,000 or 400,000, but includes very few who are not paupers. So far the Japanese have got no benefit from their occupation of Canton, for neither is the Customs functioning nor is there at present any taxable community. Hints from Japanese officials suggest that the river may be opened by March or April, but there is no information of the terms on which foreign shipping will be allowed to trade.

Australia

Defence Expenditure

MELBOURNE, January 3.—Since the Budget speeches, the outlook for two Governments has changed for the worse. The Commonwealth Government's estimates of defence expenditure during the next few years have been increased, the defence appropriation having been enlarged to £63 millions spread over three years—an average of £21 millions per annum, against an average of £6 millions for the last three years. To obtain the increase by extra taxation would impose a heavy burden on taxpayers, and the Government propose to raise part of the amount by borrowing. To begin with, a loan of £10 millions is proposed, partly for issue in London.

The Victoria State Budget estimates have had to be modified owing to the small wheat harvest, and a deficit of £825,000 is now looked for, owing mainly to a reduction in railway revenue. Because of this fall in receipts and the small amount of loan money available for railway expenditure, the Railway Department has been discharging men. The State Government has decided to appeal to the Loan Council for a larger allotment of loan money at the next meeting of the Council.

Banking Changes

The Commonwealth Government has introduced a Bill (which will not be proceeded with until Parliament meets again some months hence) to amend the Commonwealth Bank Act, principally for the purpose of establishing a Mortgage Bank Department. Institutions for lending on mortgage already exist in most of the States, in addition to private lenders, but the present proposal is intended to fill up gaps. Rural business will be administered by the Mortgage Bank itself, but to finance housing loans in the cities it is contemplated that approved societies should be formed.

The Australian wool clip is now expected to be smaller than was anticipated in June, when it was estimated at 2,970,000 bales. The President of the National Council of Wool Selling Brokers and the chairman of the Australian Woolgrowers' Council have now decided that this estimate was too high by 50,000 bales. Estimates of the wheat harvest have lately been rising, but the total will still be substantially below last season's crop.

An Inflationary Step?

The flotation of the Commonwealth Cash and Conversion Loan of £72 millions at 3½ per cent. has presented some special features. The total amount included £68 millions for conversion and £4 millions fresh money for defence. Actual subscriptions reached £62,700,000, to which were added £3,000,000 from the sinking fund and a Commonwealth Bank cash contribution of £6,000,000 (this amount relieving other underwriters, who were therefore not called upon). The subscriptions included £52,300,000 for conversion, or approximately 77 per cent. of the maturing loans.

The issue has been more favourably received than might have been anticipated, and there is force in the contention that a conversion issue earlier in the year (1938) would have been desirable. In announcing the subscription of £6,000,000 by the Commonwealth Bank, the chairman stated that, although the Bank had made substantial contributions to recent Commonwealth loans, it considered that, in view of existing economic conditions and future defence requirements, this subscription was in the public interest and therefore in accord with the Bank's function as a central bank.

This policy is, in some quarters, regarded as amounting to a policy of inflation to maintain business and industrial activity, since the reduced results from primary production and exports for 1938-39 mean a decline in the national income. The policy of borrowing by a Government from a central bank has objections which would become apparent if a spending Government came into power.

Letters to the Editor

The Two Ukraines

TO THE EDITOR OF THE ECONOMIST

SIR,—Your extremely interesting article of February 4th is timely. The early history of the Ukraine is of fundamental importance: the area round Kiev, lying as it did at the Southern end of the great trade route between Scandinavia and Byzantium, became the original Russian State, and for over 300 years was the religious, cultural and military centre of Russia. The historical tradition, therefore, of the great days of the Kiev period is firmly rooted in Russian national consciousness. Early in the thirteenth century the invasions of the Tatars progressively ravaged this area and caused retreat into the forests to the north-east—and thus the Moscow State was created.

The Kiev area, apparently, was at first largely depopulated and later reclaimed from Tatar (and Turkish) domination by the Lithuanian-Polish Kingdom, but was regarded for long as an area menaced by enemies—the name "Ukraine" being accurately translated as "the Border Land." It was thus inevitable that a new dialect should develop in such a mixed area. (This occurred in parts of Germany, too.) The centripetal force of Moscow, due mainly to cultural and religious reasons, exerted a strong pull on the Ukraine, as well as the Lithuanian-White Russian Kingdom, but the power of Poland in the sixteenth and seventeenth centuries was too great.

It is not correct to regard the eighteenth to nineteenth century as a period of domination of Ukrainian land by Russian nobility; many of the landowners were local families and there was—unlike Greater Russia—a large and sturdy class of peasant-farmers; in fact, the lot of the Little Russian peasant was, probably, distinctly better than the Greater Russian until the Land Reform.

With regard to Carpatho-Ukraine, it is important to appreciate that it has always called itself *Carpatho-Russia*, and the dialect is (for some reason) much nearer to Russian than, for instance, that of Galicia or even certain parts of Russian Ukraine. It has always looked to Russia for moral support.

YOUR CAPITAL

can earn good interest with absolute security
in London's 85 years old Building Society

3½%

**INCOME
TAX PAID
equivalent to
£4. 16. 6
per cent. where
income tax is pay-
able at 5/6 in the £**

This remunerative return combined with freedom from fluctuation and facilities for ready realization of your capital without loss, is now offered by the Temperance on Fully Paid Shares of £25 each, and also on Subscribing Shares of £25 each (minimum Subscription, 4/- per month per share).

In financial strength, The Temperance Permanent Building Society believes itself to occupy the premier position among Building Societies throughout the country. Reserves now represent nearly 19% of the combined share and deposit capital and are greatly in excess of those of any large Building Society with Assets of £2,000,000 or over. An application form and full particulars will be sent on request.

**TEMPERANCE
BUILDING SOCIETY**

4, 6 & 8 LUDGATE HILL, LONDON, E.C.4

Manager & Secretary: A. W. Betts, F.C.I.S.
Phone: CITY 2666 (3 Lines) Two Doors from St. Paul's Cathedral

TOTAL ASSETS EXCEED £6,000,000

BRITISH MALAYA



For Information on all matters relating to travel attractions, motoring, agriculture, mining and trade—you are invited to write for illustrated booklets, etc., to

MALAYAN INFORMATION AGENCY
MALAYA HOUSE, TRAFALGAR SQUARE, W.O.2

Factors such as these make powerful historical links between the Border Lands and Greater Russia—and this is very well known to the Germans (who study this problem much more than we do). The Germans appreciate that as long as the Soviet Government is anti-national and anti-traditional, a movement for an "independent" Ukraine has a chance of success. But as soon as a national Russian tendency develops—under whatever regime—the Germans realise that backing a Ukrainian movement is not likely to succeed. They, therefore, frankly say that this is an internal Russian question.

Yours faithfully,
M. ZVEGINTZOV.
London, S.W.1.

The Fenians Again

TO THE EDITOR OF THE ECONOMIST

Sir,—Your comment of January 21st, entitled "The Fenians Again," is, in my view, uncharitable, if not unfair, to

Northern Ireland. It is not a pleasant thing for Ulster people to be told that they are bolstered up with British money when their Budgets for many years have contributed, to Imperial needs, amounts which show some approximation to any assistance received from Great Britain. Moreover, such assistance has been in respect of the unemployed, in which all creeds benefit alike.

Your article, I think, should have mentioned that the 34 internees have the right of appeal against detention, but, as they refuse to recognise the Courts, they do not exercise this right. If the police may arrest for "loitering with intent" where a mere larceny is suspected, how much more may this be justified where the suspicion is that of a grave imperilment of the peace?

Northern Ireland has been in the grip of a campaign by terrorists using explosives and your comments do not suggest a better (or any) plan for dealing with it.

Yours faithfully,
ALBERT E. BURNS.
Bangor, Co. Down.

Books and Publications

Statistics for Business Men

WITHIN recent months the two most outstanding works on the use of statistics in business, both running to some seven hundred pages, have appeared in new editions. Professor F. C. Mills's "Statistical Methods" and the book at present under review* are complementary rather than competitive. The former is first and foremost a book for the actual or would-be professional statistician. The latter is addressed to the business executive,

who judges the value of statistics according to their usefulness in securing practical results,

and to the university student entering business. Professor Mills's book is confined to methods and is rigidly mathematical; Messrs Riggelman and Frisbee have devoted more than half their book to the application of statistical methods to specialised business fields, and have avoided direct reference to mathematics, wherever such reference is not absolutely necessary. Accordingly, the method of Messrs Riggelman and Frisbee in presenting a box of tools is less to explain the technique of their construction than to demonstrate their use. This they have done in two ways.

In the first half of their book they introduce each tool in turn and illustrate its working with typical problems and cases where its efficiency has been tried: holes that can be bored and shapes that can be cut. The second half is devoted to actual craftsmanship in solving practical problems, to the statistics of production and marketing, forecasting and budgeting, and the analysis of real estate, investment and banking. The chapter on production and labour is particularly noteworthy.

There is much in this second section which is not strictly statistical, but this is both intentional and right: knowledge of the wood is essential for the right choice of tools. What is more, there are times when one can do best with one's bare hands, and the authors do not forbear to emphasise the limi-

* "Business Statistics." By John R. Riggelman and Ira N. Frisbee. McGraw-Hill. (2nd Edition). xx+790 pages. 24s.

These new figures are vital to you— MARKETING SURVEY OF THE U.K.

Edited by CECIL CHISHOLM, M.A.

Where armament money is spent: redistribution of building activity; fall in West-end shop sales; effects of new national income trends on sales; distribution of population; employment, housing, retail outlets. Scores of other figures controlling purchasing power in the national market, greater London (40 areas) 51 county markets, 116 largest markets (with Purchasing Power Index); 607 smaller markets.

Write for details of third (1938) edition (50/-) of the
STANDARD REFERENCE ON INDUSTRY
Business Publications Ltd. (Dept. K), Whitefriars House, Tallis St., E.C.4

tations of statistical methods. They warn student and business man alike not to expect too much from statistics:—

Probably no check in statistical analysis is more important than that of determining the reasonableness of results in relation to other information.

When experts speak thus of their subject, the plain man may trust them. Their case is the stronger for declaring its weakness.

It is because Messrs Riggelman and Frisbee have made such a strong case for the greater use of statistics in business that a review in the present context cannot just end in merited applause. This book is wholly American. It contains no mention of English statistics and all its illustrations are from studies and investigations made in the United States. Yet it is the most practical book on business statistics which has as yet been published in this country. This may well mean that the English business man is less scientifically minded than the American; it also means that the case has never yet been put to him for his conversion.

The most recent English book on statistics, the third edition of Mr L. R. Connor's "Statistics in Theory and Practice," has an appendix on calculating machines and an excellent survey of published statistics and indices. These are the materials, but, alone, they can do little to meet the needs of English business and less to command its attention. Messrs Riggelman and Frisbee here present the best work on statistics available to business men in this country. They will forgive a note of regret in our congratulations.

Shorter Notice

"A Short History of the Steam Engine." By H. W. Dickinson. Cambridge University Press. 255 pages. 15s.

The biographer of Watt, Boulton and Trevethick, and the official collector of steam engines, has written a fascinating account of man's harnessing of heat and steam. He begins in the dark ages of technology and, by way of Von Guericke's air pump, Savery's fire engine, Newcomen's vacuum engine and Watt's condenser, reaches the reciprocating engine and the modern steam turbine. The book will delight equally engineers, historians and mechanically-minded laymen, and constitutes an important contribution to the record of industry and transport, as well as to the philosophy of our civilisation.

Books Received

An Economic Program for American Democracy. By Seven Harvard and Tufts Economists. (New York) The Vanguard Press. 91 pages. \$1.00.

The Regional Balance of Man. By R. Mukerjee. (Madras) University of Madras. 326 pages. 8s. net. Rs. 5.

Adam Smith. An Oration by W. R. Scott. (Glasgow) Jackson, Son and Company. 23 pages. No price stated.

THE BUSINESS WORLD

Germany's Short-Term Foreign Debts

IT is common knowledge that the total German foreign indebtedness has been reduced from Rm. 26 milliards in 1930 to under Rm. 10 milliards at the present time, roughly Rm. 6 milliards of the reduction being due to depreciation of the creditor currencies and Rm. 10 milliards to actual repayments. The present total of rather under Rm. 10 milliards (say, \$4,000 millions, or £875 millions) is divided almost exactly half and half between long-term and short-term debts.

As no new long-term loans have been issued abroad during these years, the total long-term indebtedness outstanding has gradually decreased, not only from depreciation of creditor currencies and actual repayments, but also from the reclassification of the debts to "short term" as loans have matured and been repaid in Reichsmarks but not transferred into foreign currencies.

The movements of the short-term foreign indebtedness are more complex, but have been the subject of much unnecessary mystification. This is partly, but by no means wholly, due to the fact that the detailed bi-annual analyses of German foreign indebtedness available from 1932 to 1935 have not been published for the past three years. It may be surmised that the chief reason for this non-publication has been doubt as to the accuracy of the figures. The detailed statements made in the early years were firmly grounded on a comprehensive census of the debtors. The figures for later years, when no census was made, must have been based partly on the volume of known debts (whose continued existence was easily verifiable) and partly on estimates made by experts of changes in the remaining mass of debts caught by the exchange restrictions. These estimates naturally become less reliable the further they get from the base years, although confirmation of particular sections of the debt may have been obtained from time to time as the result of negotiations with separate countries on questions of transfer.

The essential elements of the last published analysis are given in Table I:—

TABLE I
GERMAN SHORT-TERM FOREIGN DEBT—END FEBRUARY, 1935

Debtors	Rm. millions	Creditors	Rm. millions	Creditor Countries	Rm. millions
Banks	1,958	Banks	3,810	Switzerland ..	1,269
Konversionskasse, clearings, etc.	1,026	Financial companies	647	U.S.A.	1,262
Industry, trade, etc.	2,879	Industry, trade, etc.	1,379	Holland	1,211
Miscellaneous	428	Miscellaneous	847	England	902
Public	392			France	383
				All others	1,656
Total	6,683	Total	6,683	Total	6,683

It should be noted that "short term" as defined in the German statistics means due in one year or less, and, as mentioned above, also includes debts due but not transferred.

Although the detailed analysis in the form given above has not been published since 1935, the total of the short-term foreign indebtedness has been published annually, while sufficient is known of a number of specific debts to draw up Table II at the foot of the next column.

In this table two classes of debt are specified, "old debts," which are taken to be those existing when the exchange restrictions were introduced in 1931, and "new debts," those which have accumulated since the transfer

moratorium of June, 1933. To some extent this division is formal rather than real in so far as the new indebtedness represents merely a reclassification of the old debt. The item "all other debts," obtained by eliminating the specific classes of "known debts," should be considered as falling within the "old" category.

As in the official statistics given in Table I, foreign currencies have been converted into Reichsmarks at the rate of the day. The depreciation of sterling and the dollar was not, however, taken into account until the end of 1933, while the devaluation of the gold bloc currencies appears in the figures for February, 1937.

Some detailed comment on the table is necessary.

The figure of *Standstill* debts given for 1932 includes all debts which came under the standstill definition, whether or not formal adherence was made to the Agreement. From 1933 onwards the figures represent total credit lines, whether utilised or not, which naturally tends rather to overstate the actual indebtedness. But this method has been adopted as it appears to conform to the practice observed in the official German statistics. The figure of Rm. 900 millions for February, 1938, is an estimate based on the published figures for September, 1937 and 1938, Rm. 1,010 millions and Rm. 839 millions, respectively. Some Rm. 50 millions Austrian debts and Rm. 10 millions Sudeten debts must now be added to the total under the head of standstill debts.

The *Municipal Standstill* applies to the short-term foreign debts of local bodies, and the figures relate in each case to March 15th. Official German figures relating to short-term foreign debts of the States, Hansa towns and municipalities relating to March 31st give rather higher figures than those included in the *Municipal Standstill*, e.g. Rm. 263 millions for March, 1932, declining to Rm. 51 millions in 1937. The figure for 1938 is an estimate.

The *Lee Higginson credit* was granted in October, 1930, to the German Government for one year (since periodically renewed) and amounted originally to \$125 millions, of which \$100 millions were from a group of American and British banks and \$25 millions from German banks. Quarterly amortisation took place regularly until the transfer moratorium of 1933. From that date amortisation made in Reichsmarks and untransferred has been placed to a special account at the Reichsbank. In May, 1934, the German banks left the syndicate, their tranche being reclassified as Reichsmarks.

TABLE II
ANALYSIS OF GERMAN FOREIGN SHORT-TERM INDEBTEDNESS

Rm. millions— at end of February	1932	1933	1934	1935	1936	1937	1938
Old debts:—							
Standstill	5,040	3,853	2,528	1,961	1,567	1,165	900
Municipal standstill	247	200	148	110	80	41	20
Lee Higginson credit	524	433	257	82	18	...	...
Central Bank credit	428	360	...	...	...	...	...
Totals	6,231	4,846	2,933	2,153	1,665	1,206	920
New debts:—							
Konversionskasse	...	...	135	271	453	532	619
Young and Dawes amortisation	...	...	7	33	70	98	126
Lee Higginson amortisation	...	...	44	93	157	175	175
Clearing debts	...	...	...	510	500	450	250
Totals	...	...	186	907	1,180	1,255	1,170
Total classified debts	6,231	4,846	3,119	3,060	2,845	2,461	2,090
All other debts	3,922	3,856	3,640	3,623	3,455	2,939	2,910
Total short-term debts	10,153	8,702	6,759	6,683	6,300	5,400	5,000

The figures given in the table are taken from the monthly debt statement of the German Government (although some \$70 millions remain outstanding—see below).

The central bank credit of \$100 millions was granted to the Reichsbank in June, 1931, in equal shares by the Bank of France, the Bank of England, the Federal Reserve Bank of New York and the Bank for International Settlements. This credit was repaid in full in April, 1933. In the table it has been assumed that the whole of the credit of \$100 millions was outstanding in February, 1932 (converted at Rm. 4.2 to the dollar).

The *Konversionskasse* (in full, die *Konversionskasse für Deutsche Auslandsschulden*) is a subsidiary of the Reichsbank formed in 1933 at the time of the transfer moratorium to receive from German debtors amounts of interest and amortisation, etc., payable in foreign currencies outside Germany which, under the moratorium, could not be transferred. Payment to the *Konversionskasse* operates as a discharge of the debtor from liability under German law, but there is no obligation for the debtor to make his payments to the Kasse. The indebtedness under this heading is therefore partly new, e.g. in so far as interest payments are concerned, and partly old, as long-term loans falling due are reclassified from the long-term category. The Kasse has published monthly returns since its inception from which the figures in the table are taken—all its obligations to foreigners have been considered as short term.

The untransferred amortisation of the *Young and Dawes loans* is placed to a special account at the Reichsbank. The amounts untransferred are, however, deducted from the amount of long-term debt outstanding published in the official monthly statement of the public debt—and, presumably, counted as short-term.

The untransferred amortisation of the *Lee Higginson credit* (mentioned above) is also placed to a special account at the Reichsbank. Regular quarterly amortisation of about Rm. 16 millions has been made in place of the dollar amount of \$3.8 millions. It appears that, after the depreciation of the dollar, amortisation was continued in Reichsmarks at the equivalent of the old dollar value, so that the special account at the Reichsbank seems at the present time to have accumulated to about Rm. 280 millions. As the dollar amount outstanding remains at \$70 millions, the untransferred amortisation (shown in the monthly statement of the government debt) has been limited in the above table to Rm. 175 millions (i.e. at the exchange rate of the day).

The figures given for clearing debts are estimates based

on the material published on this subject in *The Economist* of December 3rd last.

It will be seen from the table that the classified "old debts" have fallen to one-seventh of the amount outstanding in 1932, but that some "new debts" have accumulated in the meantime.

Perhaps the most surprising thing in the table is the relative stability of the item "all other debts" (arrived at by elimination of the classified debts), particularly when account is taken of the effect of the depreciation of sterling and the dollar (end of 1933) and of the gold *blocc* (giving a reduction of about 15 per cent. from 1936 to 1937). These debts, most of which have now remained at "short term" for the last seven years, are evidently the mass of debts, chiefly of industry and trade, etc., caught in the general foreign exchange restrictions. A very large proportion under this heading are debts owing to the neighbouring countries, Holland and Switzerland, which own industries operating over the border. There are some exceptions to this generalisation, however, as, for example, the debts of the public enterprises, of which the Reichsbahn and Reichspost are the most important. These debts were booked at Rm. 102 millions and Rm. 58 millions at the end of March, 1936 and 1937, respectively.

The whole of the information used in this article has been taken from official sources (particularly the *Deutsches Jahrbuch* for 1937). Although a few estimates have been necessary, official material is available to give a solid base to them, so that they are by no means unsubstantiated guesses. It may, in fact, be emphasised that, although the detailed analysis of the foreign debt has not been published since February, 1935, sufficient material is available in regular monthly or quarterly form in the official German statistics to enable a fairly clear picture to be established for later years.

Exaggerated guesses which have from time to time appeared in the Press and elsewhere regarding German foreign short-term indebtedness are altogether without foundation, and what mystification exists is as much to be attributed to the shyness of the creditors as to the obscurantism of the German authorities. Incidentally, it might be asked whether for any other country it is possible to draw up such a comprehensive statement of foreign short-term indebtedness as that given in the tables contained in the present article.

Cable Makers Shares

IT would be hard to find a group of industrial shares showing a more stable dividend record than those of the cable manufacturers. Not one of the three leading companies, British Insulated, Callender's and Henley's, reduced the rate of dividend during the depression years, while Enfield, a smaller concern, only dipped below its 25 per cent. standard once, in 1933. Yet it is an interesting commentary on the market's instinct for earnings yields as opposed to dividend yields, that this stability of dividend rate was very far from endowing the cable companies with a quasi-fixed interest quality during the depression years. If, for example, the mean between the high and low price for 1929 be equated to 100, the 1931 mean price for British Insulated would be 69, 1932 would be 73, and 1933 would be 85. For Callender's the fall to 1931 was not quite so steep (74), but the course of prices was similar. The contrast with such a share as Lyons ordinary does not need stressing. The lowest level to which the Lyons mean price fell was 92 per cent. of the 1929 mean (touched in 1931), while by 1932 the mean had risen to 104, and by 1933 to 120.

But while the market has shown a sound instinct in valuing cable makers' shares on their earnings rather than on their dividend, the general conception of what influences chiefly affect the profits of the cable makers appears to be somewhat wide of the mark. It is held in a general way that the cable makers' market is linked with the continued rise in consumption of electricity, and

more particularly with the expansion in the country's electricity distribution system. It happens that for each of these movements there is a fair statistical record available. The expansion of electrical consumption is given by the published figures of units generated by authorised undertakings—this, of course, excludes units generated by works of railway companies for their own consumption. Similarly, the expansion of the main distribution system can be measured by the yearly increase in the capital expenditure on mains and services, as returned in the annual report of the Electricity Commissioners. In the table at the foot of the next column these two series are shown in the form of index numbers based on 1924=100. Beside them is shown a similarly based index for the combined profits of six leading cable manufacturers. It will be seen that the course of profits bears virtually no relation to the course of electricity consumption. While both moved in the same direction from 1924 to 1929, there was a sharp divergence between the two from 1929 to 1932. Similarly the expenditure on mains and services, while moving in approximately the same direction as profits up to 1931, thereafter moved first upwards and then downwards in precisely the opposite direction to profits for every year from 1931 to 1934. While therefore it would manifestly be wrong to say that the course of electricity consumption and the expansion of the mains distribution system are without an influence on the cable makers' profits, it is clear that

neither the one nor the other provides any reliable clue to the probable direction of profits in any given year.

Nor is this surprising if the products and markets of the cable makers are examined in more detail. The 1935 Census of Production shows that just over a half of the total output (by value) is represented by paper insulated

Year	INDEX NUMBERS (1924 = 100)			
	Cable Makers' Profits	Electricity Generation	Expenditure on Mains and Services	Comm. Building Plans
1924	100	100	100	100
1925	138	109	128	*
1926	119	116	132	*
1927	120	135	139	119
1928	124	149	161	133
1929	137	169	164	141
1930	115	179	172	136
1931	100	187	161	110
1932	96	201	180	95
1933	90	223	178	104
1934	99	253	160	127
1935	128	288	172	175
1936	175	332	212	205
1937	188	376	*	211

* Not available.

and "other" cables; about one-third by rubber insulated cables; and about one-sixth by telephone and telegraph wires and cables (insulated). The paper insulated cables represent, on the whole, heavy transmission lines; the rubber insulated represent lighter leads and flexes used for the final distribution to individual machines in factories, and for lighting and domestic purposes; the telephone and telegraph cables require no further explanation.

Now, while a considerable mileage of paper insulated cables is, of course, employed in main point-to-point distribution, an even greater mileage is involved in branch lines and networks to and within industrial plants themselves. Though offering fewer bulk orders than the main distributors, the needs of manufacturers both within their own works, and for branch mains leading to their works, are thus in the end the chief market for the cable makers. Moreover, the system of rebates on large orders (which has recently been extended, but has long been in existence) no doubt leaves a larger profit margin on the smaller works' orders.

From this it would appear to follow that the profits of the cable makers are more closely bound up with the general inclination of industry to undertake capital extensions than with any other single influence. Interesting confirmation of this is provided by the last column of the table, which gives an index number of the course of non-dwelling house building plans approved, year by year. It will be seen that the correlation between this column and that of cable manufacturers' profits is much closer than with either of the other two indices. Only in 1933 did the indices move in opposite directions, and, although the commercial building index tended to climb above the profits index over the period, the general "slope" of its movement is fairly closely parallel to that of the profits index in both recession and recovery.

	CABLE MAKERS' PROFITS			
	1937	1937	Current	
	Earned	Div.	Price	Yield %
British Insulated	31.1	20	85/9	4.66
Callender's Cable	40.5	20	82/9	4.83
Enfield	33.2	25*	54/9	5.70**
W. T. Henley's	30.7	20	19/9	5.06
Johnson and Phillips	16.8	12½	34/-	7.36
London Electric Wire	19.6	7½	30/-	5.00

* And 60 per cent. capital bonus.

** Assuming that dividend is reduced proportionately to increase in capital. If dividend were maintained, the yield would be 9.14 per cent.

It would appear therefore that the financial results and dividend policy of the cable manufacturers are compounded of two different elements. On the one side there is the normal movement of a trade producing capital goods, which does not appear to be much more influenced by the general electrification movement than is industrial

building as a whole. On the other hand, the dividend policy reflects the stabilising influences aimed at by the manufacturers themselves through the machinery of the Cable Manufacturers Association. As is well known, this Association was designed to avoid excessive competition in a trade where competition might have become acute. In its working the Association has been so successful that the MacGowan Commission on Electricity Distribution was constrained to suggest that the cable makers might reasonably be expected to reduce their charges. Thus an efficient organisation of the trade has combined with a conservative financial policy to insulate the shareholder most effectively from the profit fluctuations which are inevitable in a capital goods trade.

At the moment the market is inclined to fix its attention on competition from non-Association makers, which has indeed become serious enough to be mentioned by the Chairman of a leading Association manufacturer, and which has led the C.M.A. to offer loyalty rebates to its customers. This competition is undoubtedly an influence making for lower profits. But it is probably no greater influence than was the disappearance of a large source of demand through the completion of the main "grid" by about 1932. In retrospect, the effect of that gap of profits was only slightly to postpone recovery after the upward movement in commercial building had begun. Though the cases are not strictly parallel, it is reasonable to suggest that in any future cycle, the competition of outside manufacturers will have no more lasting effect.

In the immediate prospect the moderate decline in commercial building plans must be combined with the evidence of some competitive reduction in prices to suggest lower profits. But allowance must also be made for the considerable industrial building on Government account which is still in progress, though not reflected in the building plans figures. Some stimulus (though probably small in sum) will also be provided by the duplication of vulnerable main transmission lines, which is now being undertaken, and by the special telephonic

What is your Capitalised Value to your family?



If you listed all your personal assets and converted them into cash what would be the total? Now assuming from a safe investment interest on this amount could be obtained at the rate of 3½ per annum tax free, what income would this produce?

This is the test which you should apply to your own resources, so that you will know exactly what the financial position of your wife and family would be in the event of your death—a contingency which it is unwise to ignore. Most men are disappointed and not a little perturbed after this self examination.

THE "SAFEGUARD" POLICY is specially designed to augment personal assets by providing an income (tax free and payable monthly) for your dependants in the event of death. If you survive the period of your family responsibilities the policy provides capital for your own retirement.

You are invited to make an enquiry for full details and for an illustration suited to your own circumstances. Rest assured you will incur no obligation by doing so.

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

Head Office: 10 FLEET STREET, LONDON, E.C.4.

General Manager: VERNON E. BOYS.

Established in 1836 Assets exceed £42,000,000
Branches and Agencies throughout the World.

lines which are understood to be in hand for the air-raid warning system throughout the country.

On balance, therefore, the immediate outlook, while not for further expansion, equally does not seem to threaten any serious recession in profits. What happens in the longer prospect must depend on great events outside the scope of this article. It should not be assumed, however, that war would necessarily limit sales. While

Finance and Banking

The Currency and Bank Notes Bill.—The second reading debate on the Currency and Bank Notes Bill in the House of Commons on Monday contributed little to the statistical background against which the Bill must be judged, except for the Chancellor's statement that the assets of the Issue Department currency show a depreciation of £9 millions, which is to be the first charge on the profit resulting from revaluation. The Bill has been well received both by the House of Commons (which gave it a third reading on Thursday) and by the public. Few changes in its terms have been suggested, and the only one that seemed essential (and its lack is still a serious defect) was one to provide that the price at which the gold is valued week by week should be published. Both the debate and a further week's consideration of the Bill have served to emphasise the paradoxical fact that while a revolutionary change is being made in the accounting practices of the Bank and in the theory underlying the statutory regulation of the note issue, the practical importance of the change is almost non-existent. It is worth recalling what the Bill does not do: it does not in any way prejudice the question of ultimate stabilisation (though it is a fair inference that stabilisation still seems remote to the authorities); it neither imposes any new restrictions on the issue of notes nor removes any restrictions that are now in existence. The effect on the note issue, in fact, will be of the smallest. There will be a small change on the day of the first valuation, since the increase in the value at which the Issue Department's gold is entered on the return will not be exactly equal to the £100 millions by which the fiduciary issue is to be simultaneously reduced. Thereafter, there will be no change in the total note issue, except by a purchase or sale of gold by the Issue Department (as distinct from the weekly transfers) or by a change in the fiduciary issue. It is true that the authorities have very large powers to alter the note issue, since they can buy and sell gold between the Account and the Department without recourse to the market and can alter the fiduciary issue, at least temporarily, by order. But these powers are not conferred upon them by the present Bill. The first is implicit in the Finance Act of 1932, which set up the Exchange Equalisation Account, and the second was conferred by the Currency and Bank Notes Act of 1928. Between them, these powers create a very elastic system of note issue; but the present Bill neither adds to its elasticity nor subtracts from it.

The new Bill, however, is the first explicit recognition of the principle that it is the size of the note issue that determines the size of the reserve, not *vice versa*. This principle is explicit in the short run in the provision for week-by-week adjustment of the reserve, and it is implicit in the long run too, for there is no doubt that if the public were to demand more notes than the total that will be fixed when the Bill comes into force, gold would be sold to the Department or the fiduciary issue raised. The Bill is, therefore, a definite step in the evolution of thought on the subject of note issues. The old principle that the supply of paper legal tender was the causative factor in the whole monetary economy, which must be rigidly controlled so that the whole economy could be kept stable, has been abandoned. Fluctuations in the note

ordinary commercial development would be checked sharply, the turnover to war production would no doubt fill part of the gap. Possibly the worst influence at present in prospect would be a continuation of uncertainty leading to a sharp restriction of commercial enterprise, but not producing a complete war reorganisation of industry as a whole. But in that respect the cable manufacturers are in the same boat as other capital goods producers.

issue are now recognised to be consequences rather than causes of changes in the credit structure, and control, if it is to be applied, must be applied elsewhere. This is the true answer to those who profess alarm at the wide elasticity of the powers the authorities now possess. Indeed, there are further steps still to be taken to accommodate the statutory framework of our monetary arrangements to the reality of modern conditions. There is a strong argument to be made out for the removal of all numerical and statutory limits, since the only true safeguard is the wisdom of the controlling authorities. But if formal limits are still to be set, they should be applied to the total outside liabilities of the Bank, of which the note circulation is to-day, in its power of initiating changes in the total supply of money, the less important part. The total outside liabilities of the Bank of England on February 1st were £629,652,943. Against these, the Issue Department's gold was, at the price of 85s. an ounce, £126,414,257 or 20.1 per cent., or at the market price, about £221,000,000, or 35.3 per cent.*

As was stated in *The Economist* last week, the new Bill does not repeal the provision in the Act of 1928 by which gold stocks of more than £10,000 belonging to residents in the United Kingdom can be compulsorily bought at the price of 85s. per fine ounce. We added the presumption that, in spite of the failure to repeal the provision, it would now lapse. It now appears that the omission was deliberate, and that the provision is being retained as a weapon against hoarders of gold. The intention is praiseworthy. But in fact it is almost inconceivable that a Government should use its compulsive powers to buy, for 85s. an ounce, a commodity which the market, the Bank of England and the Government's own Exchange Equalisation Account all value at nearly double that price. We venture to predict with some confidence that the clause will never be used.

January Clearing Bank Averages.—The table given below for the ten English clearing banks shows some interesting movements compared both with the previous month and January, 1938. The decline in deposits of £23.2 millions on the month and nearly £100 millions on the year is not unexpected in view of the current transfers of tax money and the loss of foreign funds during the course of last year. The decline, together with the increase in cash up to 11.17 per cent., against 10.8 per cent. for both the previous month and for January, 1938. But this rise is rather misleading, as it is almost entirely due to a sharp increase in the cash holdings of the Midland Bank from £55.6 millions in December to £64.9 millions. Those of the other banks show only small changes and are mostly lower. Of more interest is the increase in discounts on the month, for since the New Year the Treasury bill tenders have been very low and the percentage secured by the market small. The probable explanation is that the rise

* The figures given in the last line of the table on page 249 of last week's *Economist*, though correctly given as the ratio of gold to total notes and deposits, were not correct (as was stated) for what is usually known as the "reserve ratio," which is the ratio of gold to money in circulation and deposits.

represents purchases of bills allotted at the last few tenders of 1938, when the market's allotment was larger. As the banks do not buy full-dated Treasuries, the effects of the present contraction in the tender issue will not be seen until the February averages are published. It is, however, significant that the total of bills discounted is considerably lower than in January, 1938, when they had risen by as

(In £ millions)						
	Jan., 1938	Sept., 1938	Oct., 1938	Nov., 1938	Dec., 1938	Jan., 1939
Capital and reserves	136.0	136.0	136.0	136.0	136.0	136.1
Acceptances, etc.	111.0	121.9	129.3	128.5	128.0	124.9
Deposits (including undivided profits, etc.)	2,292.4	2,233.4	2,219.7	2,212.2	2,217.5	2,194.3
Total liabilities	2,539.4	2,491.3	2,485.0	2,476.7	2,481.5	2,455.3
Cash	247.8	230.7	230.7	229.3	240.1	245.1
Cheques, balances and items in transit	64.5	54.5	61.8	62.1	70.7	62.3
Money at call	149.0	145.6	145.4	144.9	155.9	139.5
Discounts	329.8	287.5	266.8	271.0	248.9	254.2
Investments	621.2	631.4	631.1	628.0	620.8	609.7
Loans and advances	948.8	951.9	952.0	944.6	949.1	950.9
Investments in affiliated banks	23.9	23.9	23.9	23.9	24.0	25.1
Cover for acceptances, premises, etc.	154.4	165.8	173.3	172.9	172.1	168.5
Total assets	2,539.4	2,491.3	2,485.0	2,476.7	2,481.5	2,455.3

much as £31.1 millions from the previous December. The severe fall in call money, too, reflects the dearth of discountable paper, and the decline of £11.1 millions in investments suggests that the banks are being forced to reduce their holdings of gilt-edged as a result of the depletion of their second line of liquid assets.

Politics and the Belga.—The belga has survived the hazards of the gathering political crisis in Belgium with considerable success. The cross rate on New York which is the effective criterion has not reached the gold export point of 5.944 belgas to the dollar, although on Thursday afternoon it rose to only a point or two below it. Its steadiness has been due partly to continued covering of speculative bear positions opened up when the decline of sterling in terms of dollars seemed to render the continued adhesion of the belga to its rigid gold parity highly questionable. The latest crisis has not been of sufficient severity either to arrest this covering movement or to set in motion another appreciable flight from the currency. The difficulties of the Government have been due to another echo of the attempt made by Flemish extremists during the war to separate Flanders from the French speaking provinces of Belgium. The "traitors" in question were formally condemned after the war and after many years duly amnestied. But the election of certain among them to high positions in the local government of their localities has recently reawakened the fires of racial strife which tend on occasion to flare up in the political life of Belgium. A more difficult hurdle for the Belgian Government may be provided by the coming budget discussions. While the ordinary budget is expected to show a balance between revenue and expenditure the extraordinary budget promises to show a deficit of some 2,500 million Belgian francs. The Belgian capital market is not at present in sufficiently good fettle to absorb borrowing of this size and there may be further approaches to the international markets by Belgium during the coming year.

Bank Loans against Bonds.—There has been considerable discussion in discount market circles this week of a reduction of the clearing banks' rate for loans secured by Conversion 4½'s from 1 to ¾ per cent. If the project has been mooted at all in clearing bank circles—whence the initiative must obviously come—it has only been in the most tentative manner. The discussion of this question emerges from the fact that the stock in question has only 17 months to run—or more truly 14 months as a bond, since after the three months' notice of redemption has been given it ranks in any case as a bill. Most discount

houses already include it among their bills for balance-sheet purposes and there is a strong feeling that it should rank with Treasury One's in the claim for special consideration from the clearing banks and command a loan rate of ¾ per cent. As against this, the clearing banks can argue that the redemption of Conversion 4½'s in July, 1940, though probable, is not inevitable, that their rule has always been to count as a bond any security with more than six months to run and that the exception made in the case of Treasury One's was wholly due to their desire to make attractive to the discount market an issue which would obviously have proved wholly unattractive had the bonds in question been eligible for 1 per cent. money only. In any case a move by the clearing banks to reduce their rate on loans secured by Conversion 4½'s would, if it was to be really effective, involve the cutting of that rate to ½ per cent. At present the bulk of the holding of Conversion 4½'s in the hands of the discount market is financed with non-clearing bank money, which in normal circumstances can be readily obtained at ½ per cent. It is unlikely that the clearing banks will ape the market so completely in the treatment of Conversion 4½'s as to grant this security the facilities given to Treasury bills.

Irish Banks' Returns.—The returns for the banks operating in Eire for the December quarter, published by the Currency Commission, are as follows:—

(Thousand £s)					
	Dec. Quarter, 1937	Sept. Quarter, 1938	December Quarter, 1938		
			In Eire	Elsewhere	Total
Liabilities:—					
Capital, reserves, etc.	17,408	17,501	10,304	7,202	17,506
Notes in circulation	8,966	8,863	5,142	3,895	9,037
Current deposit and other accounts	161,114	156,607	113,963	43,045	157,008
Other liabilities	5,727	5,073	3,092	2,772	5,864
Total	193,216	188,045	132,501	56,916	189,417
Assets:—					
Cash and balances with London agents and other banks	13,950	14,825	5,606	9,109	14,715
Money at call and short notice	9,869	8,688	1	8,904	8,905
Bills	6,752	5,752	7,150	983	8,133
Loans and advances	70,769	72,574	46,647	25,554	72,201
Investments:—					
(a) Government	73,475	68,928	3,998	63,556	67,554
(b) Other	10,584	9,645	4,040	5,320	9,360
Other assets	7,814	7,630	3,671	4,875	8,546
Total	193,216	188,045	71,114	118,303	189,417
Excess of assets outside Eire over liabilities outside Eire ...	69,825	63,672	...	...	61,387

The decline in deposits during the year is largely a result of withdrawals of saving deposits for investment in the Financial Agreement Loan, and the increase shown in the last quarter of the year is a satisfactory feature of the returns. The increase in bills is mainly accounted for by the short-period borrowing of the Irish Government from the Bank of Ireland. The decline in investments reflects the increased demand for loans and advances as well as the withdrawal of deposits. The increase in new loans and advances is not fully shown in the published figures, as many old loans were liquidated as a result of the improvement in agricultural conditions. The decline in the net sterling assets would be alarming if it were not for two relevant considerations; first, the transfer of the Financial Agreement Loan, and, secondly, the improvement in the visible trade balance which took place during the year.

Long-Term Gold Contracts.—It is not generally known that during the last few years the London bullion market has developed facilities for forward gold operations for very long periods. While it is seldom possible to deal in forward exchanges for periods longer than twelve months, it is possible to deal in forward gold for periods up to two years, and even three years. Needless to say, it is not always easy to find a counterpart, and the rate is always a matter of negotiation. The buyers are usually firms who want to cover their risk arising from long contracts. The sellers are usually the well-established

gold mining companies. The latter seldom, if ever, deal directly with the buyers; banks or bullion brokers act as intermediaries. Occasionally the counterpart for the buying order is provided by time arbitrageurs who buy the spot gold and hold it until maturity. The embargo on undesirable forward gold operations affected this market only in so far as buyers have to produce documentary evidence that the gold is wanted for genuine commercial purposes. For shorter periods the embargo applies even to commercial transactions, unless they are concluded in a currency which has no forward market, in which case it is permissible to cover the exchange risk with the aid of forward gold transactions. In the absence of forward exchange facilities beyond twelve months, it is

permissible to cover commitments for longer periods by means of forward gold transactions, even if the deal is concluded in a currency which has a good forward market for shorter periods.

A Chile Relief Fund.—The Bank of London and South America has given practical expression to the human sympathy which naturally follows long-established business relations by undertaking to forward to Chile any contributions to the British Relief Fund opened in Santiago for the benefit of sufferers from last month's shocking earthquake disaster. Contributions may be sent to the Bank at its head office, 6, 7 and 8 Tokenhouse Yard, London, E.C.2.

MONEY MARKET NOTES

Foreign Exchanges

THE firmer undertone of sterling which was apparent last week was maintained until Wednesday. Before the week-end business was again very small, but on Monday and Tuesday there was more activity with interest chiefly centred in dollars, which were on offer all day. For this trend bear covering operations were mainly responsible; these were not confined to speculators in sterling but took place as well in the guilders, and in Swiss francs which have been very firm. Capital withdrawals from London appear to have subsided, so that the pound had the full benefit of the covering operations against the dollar which closed at 4.68½ on Monday and on Tuesday at 4.68½. During this upward movement the Control made intermittent purchases of dollars. On Wednesday sterling became rather easier again, and the rate fell to 4.68½-¾ in the early dealings; but on Thursday the upward trend was continued, and the dollar was quoted at 4.68½-¾ in the late dealings. Francs have been very steady. On Monday the spot rate rose to 177½, against 176½ on Saturday; but this movement was the result of the French Control's tactics in maintaining a closer link with the dollar rather than the pound and did not represent any lack of confidence in the franc. Similarly, on Wednesday, with the improvement in the dollar, the rate fell to 176½ but with the resumption of the upward trend in sterling rose to 177½ on Thursday afternoon. The belga is discussed in a Financial Note. The news of the resignation of the Belgian Government caused a weaker tendency on Thursday, and the rate fell to 27.78 against the pound and to just below its gold export point against the dollar.

The Bank Return

RATHER surprisingly the note circulation shows a further increase this week of just over £3 millions, whereas a year ago the extra notes withdrawn by the public for end of the month requirements had already started to return.

This week's increase means that the circulation is only just below the level of last year's in spite of the return of notes from hoards that has taken place since then. The Reserve shows a net fall of £2.9 millions, and the "proportion" is consequently lower at 33.7 per cent. Bankers' deposits have suffered both from the rise in the note circulation and from the transfer of tax moneys. Thus, while these are down by £4.4 millions,

public deposits show a rise of £3 millions. The decline in bankers' deposits

Issue Dept.	Feb. 9, 1938	Jan. 25, 1939	Feb. 1, 1939	Feb. 8, 1939
Gold	326.4	126.4	126.4	126.4
Notes in circulation	476.1	463.8	471.9	475.0
Banking Dept.:				
Reserve	50.9	63.2	55.2	52.3
Public Depts.	16.1	12.9	12.3	15.3
Bankers' Depts.	102.9	118.2	108.3	103.9
Other Depts.	35.5	36.7	37.1	35.5
Govt. Secs.	93.3	82.0	77.9	77.6
Discounts & Advances	9.6	18.8	21.3	20.6
Other Secs.	19.0	21.9	21.4	22.4
Proportion	32.9%	37.6%	35%	33.7%

illustrates the calling-in of funds from the money market which was apparent during the week, but it is worth noting that they are £1 million higher than a year ago.

The Money Market

AT the Treasury Bill tender on February 3rd the market only secured a 13 per cent. allotment, and this has made them even more reluctant to supply the clearing banks with bills. The banks, in fact, are not pressing their demands, in view of the abnormal conditions, so that business is very small. On Tuesday, when the market had no new bills to take up, transactions were almost entirely confined to commercial paper, supplies of which, however, were also small. The market quotation for the three months' fine bank draft remained at ½, but competition is so great that a slightly lower rate has often been

	Feb. 10, 1938	Feb. 2, 1939	Feb. 9, 1939
Bank Rate	2	2	2
London Deposit Rate	½	½	½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	½	½-58	½-58
Discount Rates:			
Treasury bills	½	½	½
Three months' bank bills	17½-9½	1½-17½	1½-17½

* 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.

accepted. It is learned that the £300,000 Blackpool Corporation Bills which were sold recently were placed at a rate of ½ per cent. Credit conditions have remained comfortable, although occasionally money has been rather more usable. Thus on Monday morning a certain amount of calling-in of funds by some of the English clearing banks and also some Scottish banks caused some demand for money, and bond money cost ½ and even ¾ per cent.,

but conditions became easy again in the afternoon. The transfers of tax money are the chief reason for this calling, which has been apparent on other occasions during the week and is reflected in this week's Bank Return, but it makes no more than a momentary stiffening in rates for bond money from outside lenders.

The Bullion Market

THE weaker trend of the dollar caused a small reduction in the price of gold at the fixing each day except Wednesday, when it was unchanged. Most of the supplies have again come from Continental resales on the maturing of forward contracts, but the turnover, except on Thursday, when it rose to £815,000, has been somewhat smaller. On Saturday, the offerings were in-

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in £	Cash	Two Mths.
1939					
Feb. 3 ...	148 7½	12 pm	330	20	191½
" 4 ...	148 7½	12 pm	485	20½	191½
" 6 ...	148 5½	12 pm	641	20½	191½
" 7 ...	148 4	12 pm	499	20½	191½
" 8 ...	148 4	par	572	20½	191½
" 9 ...	148 3½	12 pm	815	20½	191½

* 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.

adequate to meet the hoarding and arbitrage demands, and, as the Exchange Account was unwilling to sell at the market price of 148s. 7d., buyers were rationed. The demand was maintained after the fixing, but the price was not raised and few sellers appeared, so that the subsequent turnover was very small. On Monday, the bulk of the offerings was again taken by arbitrageurs, but the following day the continued strength of sterling tended to restrict arbitrage demand, and the turnover fell to under £500,000. On Wednesday, however, the absence of any premium in the price and the appreciation of the dollar encouraged arbitrage; the offerings were again insufficient to meet the demand, and buyers were again rationed.

Silver has improved from the low levels to which it fell last week. The general feeling appeared to be that the decline had gone too far, and a little speculative and general buying was enough to cause the small rises that have taken place.

Investment

First 1938 Railway Dividends.—After twelve months of utter despondency the Home Railway market was galvanised into excited activity at the beginning of this week by the dividend announcement of the Southern Railway, the first of the four main lines to issue its 1938 preliminary figures. Not even the most optimistic had dared to hope for a full 5 per cent. dividend on the preferred stock. Estimates generally ranged from 3½ to 4 per cent. The company's statement, however, showed that not only was the full dividend being maintained, but as much as 4.52 per cent. was actually earned, leaving only £131,871 to be drawn from the preceding year's carry-forward, which is thereby reduced to £94,933. Two questions immediately arise—first, why were all the estimates much too conservative, and, second, why the over-distribution? The answer to the first is presumably that the ancillary business has been much better than was generally expected and that the cost experience in the second half-year was much more favourable than in the first. During the second half of 1938, for instance, the weekly traffic figures showed a gross fall of £54,000, whereas the gross figures given in the statement show a fall of only £29,371. Pooling adjustments would have only a slight effect on the comparison, since the 1937 bus strike does not enter into the second half-year comparisons, so that the variations in the figures must be almost entirely due to an improvement in the ancillary side of the business. But it is costs that show the most startling change. In the first half-year there was a net loss of £574,000, of which £456,000 was due to the rise in working expenses. Yet net revenue for the full year is only down by £610,220. Of this, £112,371 is due to the decline in receipts, which leaves £497,849 as the increase in working costs for the full year—a matter of no more than £41,849 in the second half-year, as compared with £456,000 in the first half. The figures are remarkable, especially when it is known that for six weeks of the second half-year wages were higher than in the previous year, resulting presumably in something like a rise of £55,000 in costs, and that the cost of the two main railway materials, coal and steel, remained unchanged throughout the year. As regards the over-distribution, it seems probable that the board was encouraged to choose the higher rather than the lower round-interest figure by the prospects of additional revenue in the current year from the proposed 5 per cent. increase in charges in the London area, which in a full year should bring to the Southern upwards of £100,000.

The L.M.S. dividend statement is chiefly remarkable for the saving in expenditure which has been achieved as a result of reduced traffic and further economies, especially in the second half-year. The L.M.S. management has something of a reputation for its adaptability to changing economic conditions, and in the past year this reputation has certainly proved justified. The rise in the cost of labour and materials in the full year, 1938, amounted to £1,400,000, of which £1,040,000 was in respect of the first half-year. The rise under this head in the final six months of the year was, therefore, only £360,000, and about half of this was attributable to the restoration of the wage cuts in mid-August, 1937. By careful control of traffic, however, the management has been able to save no less than £1,740,000 in the full year. Of this, £503,000 is attributable to the first half-year, but this still leaves the very substantial figure of £1,237,000 as the saving from this source in the second half-year. Thus, whereas there was a net increase in working expenditure of £537,000 in the first half-year, there was actually a net saving of £877,000 in the last six months. Despite a fall of £3,351,000 in gross receipts, net revenue at £11,345,000 is, therefore, only down by £3,011,000. This is sufficient to meet the full payments on the 4 per cent. first pre-

ference and the 5 per cent. redeemable preference which rank together, and leave £37,000 to add to the carry-forward. An interesting point about these figures is that they suggest an actual improvement in the ancillary earnings in the second half-year. The figure for gross receipts, which of course includes ancillaries, is £148,000 higher than the weekly traffic returns of the railway side of the business for the full year. But at the half-year the difference was actually greater at £179,000. The weekly returns are always subject to adjustments, but the general inference to be drawn is that ancillaries at least held their own during the second half-year.

Company Registrations in 1938.—The fall in new capital issues by new industrial concerns last year is confirmed by the statistics of new company registrations for 1938, published during January by Messrs Jordan & Sons. It is true that the total of 12,611 companies registered is only 111 short of the 1937 totals. But public companies accounted for only 197 of the total, against 416 registrations, and after excluding companies limited by guarantee, etc., the comparison is 96 for 1938 against 321 for 1937. The 197 companies, technically known as public, account for £8,743,000 of new nominal capital, of which Beecham Maclean Holdings and Regis Property Company (the only public companies registered with capitals of at least £1,000,000) account between them for £3,250,000. The growing practice of registering businesses with small nominal capitals which are later increased, makes it necessary to stress yet again that undue importance cannot be attached to initial-registered capitals. Thus Reckitt and Colman account for only £100 of the 1938 total, though the capital was subsequently raised to £6,000,000. As the following table shows, the number of private companies registered has been maintained, and the compilers of the figures point out that in spite of the crisis period, the second half-year was in some ways better than the first:—

Years	Public Companies		Private Companies		Totals	
	Number Registered	Capital	Number Registered	Capital	Number Registered	Capital
1934 ...	446	69,761,622	12,029	73,778,784	12,475	143,540,406
1935 ...	430	54,870,733	12,673	81,763,377	13,103	136,634,110
1936 ...	418	49,359,643	13,324	108,861,595	13,742	158,221,238
1937 ...	416	37,619,099	12,306	75,971,184	12,722	113,590,283
1938 ...	197*	8,742,976	12,414	60,997,075	12,611	69,740,051

* Includes 103 companies limited by guarantee and associations not for profit without share capital.

Details of the separate groups provide few new features. Registered capital in the land and buildings section is by



To men in the fifties and sixties

It is not generally realised that for an annual premium of £47 : 12 : 6 (reducible by income-tax relief) a man aged 55 next birthday can effect a Whole Life Assurance of £1,000 with right to Bonuses under the Distinctive System of

The Scottish Provident Institution

Write for booklet explaining 'The Distinctive System'
London (City) Office - 3 Lombard Street, E.C.3
HEAD OFFICE - 6 St. Andrew Square, EDINBURGH
Founded for Mutual Life Assurance 1837
Funds exceed £25,000,000

far the largest and accounts for 18 per cent. of the grand total, while the food and the builders' groups are numerically the largest. The small number of public companies, and the lack of important changes between individual groups, underline the poor vitality of new company enterprise in 1938.

Investment in South America.—For several years South American holdings have provided little but disappointment for the investor, and the figures of investment in Latin America at the end of 1938, compiled by the *South American Journal*, have the sad distinction of recording a lower amount and proportion of interest received than ever before. The actual nominal total of investments of £1,149 millions is little changed from 1937, and shows only the normal decrease due to annual redemption. A rise from £496 millions to £656 millions in the amount of investments upon which there is no return is due mainly to the Brazilian default. Though announced in November, 1937, it did not greatly affect the receipts of that year, since most of the payments for 1937 had already been made. For all groups and countries interest and dividends received in 1938 were reduced by £6,423,000 to £19,681,000, and represented 1.7 per cent. against 2.2 per cent. of the nominal amount outstanding. Government bonds and railway stocks each yielded 1.2 per cent. on outstanding capital of £327.4 millions and £493.9 millions respectively. The banking, shipping and miscellaneous groups gave a better return, and so raised the general average by $\frac{1}{2}$ per cent. Of the £1,127.5 millions which can be allocated to the separate countries, Argentina accounts for the largest proportion—39 per cent. of the total—with Brazil and Mexico following next with 23 per cent. and 16 per cent. respectively. As much as £547 millions nominal of the stocks of these three countries are giving no return. At present there are but few signs that 1939 will prove any better than recent years, though the Chilean and Peru Guano loan payments should slightly swell the total interest receipts.

A New Era for American Utilities?—Close upon the Supreme Court's refusal to grant an injunction against the Tennessee Valley Authority respecting the sale of power in competition with sixteen private utility companies, comes news of an agreement which arouses hopes of improved relations in the future between the Administration and the private utilities. The Commonwealth and Southern Corporation has announced the sale of the electrical properties belonging to its subsidiary, Tennessee Electric Power Company, to the T.V.A., for a sum of \$78.6 millions. Negotiations have been long and difficult, and the resulting purchase price proves to be half-way between the \$90 millions asked by Commonwealth and Southern and the \$67 millions reported to be the T.V.A.'s previous best offer. Originally, however, the T.V.A. had not been prepared to pay more than the net asset value of \$57 millions, and the importance of the agreement lies, not in one purchase price or another, but in recognition of the principle that private utilities should be acquired as going concerns, with some allowance for the value of the equity. For there will remain in this case some \$8 millions for the Tennessee Electric Power Company common stock (which is almost wholly owned by Commonwealth and Southern), after using \$72 millions of the purchase price to redeem bonds and preferred stock. Though formal conclusion of the agreement is still awaited, the news has been well received by Wall Street, and reports that the City of Memphis may renew its attempt to buy the Memphis Power and Light properties suggest that the implications of the Commonwealth and Southern deal have been instantly seized upon.

The Bondholders' Year.—The fact that 1938 produced few settlements of outstanding debt problems is made manifest by the annual report recently published by

the Council of Foreign Bondholders. In the Council's view, the outstanding event in 1938 was the Anglo-German Transfer Agreement, which in the event was extended to provide for a permanent settlement of Reich and certain other German indebtedness, although the negotiations originally concerned only the future treatment of those Austrian loans guaranteed by the British Government. In other directions there was little success to record on behalf of the British bondholder, though Bulgaria, Roumania and Jugoslavia arranged for the external debt service for one or more years, and an offer was made in respect of the Peru Guano Loan. Strenuous efforts by the Council and bondholders' associations abroad (with whom conferences upon general matters as well were again held) to obtain a resumption of the Brazilian debt service met with no success, nor did informal discussions with the Greek Government produce any improvement on its present unilateral offer of 40 per cent. In such a year of upheaval as 1938 bondholders might well have fared worse. But it seems that certain countries are only becoming confirmed in their attitude towards their external debt obligations, and that the problems with which the Council constantly wrestles are becoming more, and not less stubborn. And, as the report points out, satisfactory settlements have been made more difficult by the uncertainties of the international outlook.

Uruguay Debt Offer.—The permanent settlement of Uruguay's sterling debt (foreshadowed in the Council of Foreign Bondholders' annual report and recommended for acceptance by the Council) proposes no increase in the $3\frac{1}{2}$ per cent. interest that has been paid since 1933. But it establishes regular sinking funds, and offers a cash bonus on those loans which have been receiving less than their nominal rate of interest. The largest Uruguay sterling loan, £12,819,260 of consolidated debt $3\frac{1}{2}$ per cent. sterling bonds, will continue to receive $3\frac{1}{2}$ per cent. and a semi-annual cumulative sinking fund of $\frac{1}{4}$ per cent. (against an original 1 per cent. annually). Actual interest will remain at $3\frac{1}{2}$ per cent. on the 5 per cent. Sterling Loan, 1896, the 5 per cent. Gold Bonds, 1914, the 5 per cent. External Gold Bonds, 1919, and the 6 per cent. Montevideo Loan of 1889 (which becomes a Government obligation), but a 5 per cent. cash bonus, payable in five annual instalments, is offered in compensation for the reduced service of the past five years. The annual sinking funds are to be 1 per cent. (rising to $1\frac{1}{2}$ per cent. after five years) on the two gold bond issues and $1\frac{1}{2}$ per cent. semi-annually on the Montevideo Loan, but the Sterling Loan of 1896 is to be rapidly retired by a semi-annual 10 per cent. non-cumulative sinking fund. Offers are also being made in Paris in respect of the 5 per cent. Gold Loans of 1905 and 1909.

Breweries and the Weston Case.—The Government's decision, announced last Monday by the chairman of the Brewers' Society, not to carry the Weston case to the House of Lords, has removed a difficulty which threatened to impede the breweries' policy of improvements by making the cost prohibitive. The matter at issue was whether local justices could continue to authorise extensions (so as to come under existing licences, unless the identity of the premises was entirely altered), or whether alterations to premises outside existing limits required a new licence and thus a payment for monopoly value. The licensee of a Weston-super-Mare hotel owned by Ansells had applied for the approval of enlargements, but, basing their decision on a similar case in Southampton, the justices said they had no power to grant the application. Last October the Divisional Court upheld the justices, on the grounds that the relevant part of the Licensing Act of 1910 was not meant to cover additional facilities for drinking when alterations involved premises not yet licensed as well as properties already licensed. But on January 20th this decision was successfully appealed against, and as the case is not being taken to the House of Lords the legal position is the same as it was originally, with the question whether or

not extensions fall within the ambit of existing licences remaining in the discretion of local justices. Many improvement schemes have been held up until this Weston case was finally settled, and the news has been welcomed by the industry. For some years modernisation has played a large part in brewery finance, and the prices of brewery shares have responded well to the removal of a stumbling-block.

Industrial Profits in December and January.—January was the sixth successive month in which reported net profits were lower, in the aggregate, than those earned by the same companies a year earlier. As is shown in the following table of recorded profits for each month over the past two years, the rate of decline is variable, but on the average of the last six months it has been of the relatively moderate order of 6 per cent.:

Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year
1937		£	%	1938		£	%
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	55,554,168	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	8,300,386	a1.18
Aug.	62	6,042,402	9.41	Sept.	112	7,962,024	a10.31
Sept.	81	7,269,607	27.80	Oct.	163	14,279,785	a1.06
Oct.	177	14,889,260	26.97	Nov.	231	23,784,389	a6.53
Nov.	206	23,579,407	20.25	Dec.	171	18,534,750	a4.35
Dec.	152	18,101,112	14.69	1939			
Jan.	107	13,832,382	19.90	Jan.	152	16,316,851	a9.58

* After debenture interest.

(a) Decrease.

While the number of reports tends to fall off in December and January, the results just published are fairly representative. In December, however, rubber companies were responsible for over a quarter of the decrease in profits, although they form only a small fraction of total profits. In January, on the other hand, the satisfactory Woolworth results moderate the rate of decline. About half the decrease of £1,730,000 is due to textile companies.

Company Notes

Thomas Tilling Position.—The satisfactory upward trend of Thomas Tilling's profits continued in 1938. By rising from £480,147 to £535,531 profits showed a rate of progress hardly less than in the previous year. But four capital bonuses in eight years have given due recognition to the fact that increasing holdings, rather than rising earning power, have been the cause of expanding profits. A year ago a 25 per cent. capital bonus was distributed (arising from a writing-up of the book value of the Tilling and B.A.T. holding—due in turn to that company's bonus issues), and while the 10 per cent. dividend is maintained for the fourth successive year on the larger capital, no further capital changes are proposed at present. In the following table we show the allocation of profits:—

	Years ended December 31	1936	1937	1938
Profit.....	£	428,752	480,147	535,531
Debt interest and fees ...	£	24,142	23,748	23,335
Preference dividend	£	16,500	16,500	16,500
Ordinary shares				
Earned	£	388,110	439,899	495,696
Paid	£	329,600	329,600	412,000
Earned %	%	12.3	14.5	12.8
Paid %	%	10	10*	10
To general reserve	£	50,000	100,845	100,000
Carry forward	£	184,946	194,400	178,096

* Also 25 per cent. capital bonus.

The £82,400 increase in the amount of dividend, however, is somewhat larger than the rise in available earnings, and in order to maintain the allocation to general reserve from revenue the carry-forward is reduced by £16,304. As a result of last year's capital bonus and the consequent adjustments between reserves, the balance sheet shows several large changes. Apart from the rise in ordinary capital from £3,296,000 to £4,120,000, the general reserve stands at £1,001,861, against £58,793, but the capital reserve no longer appears. On the assets side, investments stand at £6 millions, against £4.7 millions, the capitalisation of bonus shares being shown as a separate item of £1,164,362. An increase of £180,860 to £2,617,554 in investments in subsidiaries is due to the purchase of further shares in companies that are already subsidiaries. Belief in the continued growth of the undertaking is suggested by a yield of no more than £4 7s. per cent. on the £1 ordinary shares at 46s. 3d.

English Electric Progress.—The dynamic qualities of the English Electric Company's earning power in recent years did not diminish in 1938. According to a preliminary statement, net profits of £501,709, after a special provision of £50,000 for taxation, compare with £436,185 earned for dividend in 1937 (after writing down issue expenses by £10,000), and if we assume all other expenses to be the same as a year ago, total profits would be some £115,000 higher at £667,000 and earnings for the ordinary stock 38 per cent., against 31 per cent. Progress during the past five years, as compared with an earlier record both erratic and unsatisfactory, has indeed been remarkable. Until 1937 (a year after the company had drawn clear of preference arrears) there had been no ordinary dividend since 1925, and in 1930 a reorganisation scheme was necessary. The company's dividend policy has, however, been conservative; a year ago the amount distributed was no more than a third of available earnings, and this year, while the market had expected some rise in dividend, the 10 per cent. payment is repeated. The company is engaged in the heavy section of the industry, and has been helped by orders both from the Central Electricity Board and from the Southern Railway. At least part of the good results for 1938 must be attributed to orders received rather earlier. Thus at the beginning of last year it was announced that orders outstanding were for an amount equal to invoices for 1937. Shareholders were reminded that the same rapid rate of progress could not continue indefinitely. But the anticipated growth in business is sufficient to warrant additional capital expenditure, as is indicated by the offer to be made to ordinary stockholders of one new £1 share at par for £3 stock now held. This would bring in some £480,000 gross, and represents a substantial addition to the company's resources. At a current price of 33s. 6d., including rights worth about 2s. 9d., the £1 units yield £6 19s. 6d. per cent., assuming the maintenance of the 10 per cent. dividend.

Bolsover Colliery Results.—In 1937, colliery companies were able to report that they had benefited not only from higher demand, but also, as the result of the selling schemes, from satisfactory prices. Yet reports covering financial years ending in 1938 for the most part indicate a setback in profits, although the general level of coal prices was on the whole well maintained. Increased costs have been partly responsible, but it is clear from the Bolsover report that the main factor has been reduced



demand. The directors point out that while average prices at pit-head were higher and domestic requirements kept up, the home demand for industrial purposes was much reduced, and a certain amount of export trade was lost to competing districts or countries, since the Midland district's export prices were above the general level. The effect for the company is a reduction in total profits by about £100,000. However, 1937 was somewhat exceptional, and the comparison with earlier years is favourable. We show below the allocation of profits in the past three years:—

	Years ended December 31		
	1936	1937	1938
Total profit	£628,869	£788,763	£688,797
Taxation	135,000	200,000	185,000
Fees	6,315	6,315	31,925*
Debt service	33,000	33,000	33,000
Preference dividends	62,500	62,500	62,500
Ordinary shares—			
Earned	392,054	486,948	376,372
Paid	223,896	280,362	242,158
Earned %	19.3	24.3	19.4
Paid %	11	14	12½
To reserves	149,246	175,000	125,000
Carry forward	84,332	115,918	125,132

* Including £25,505 provision for depreciation of investments.

A sum of £25,505 has been used for writing down investments—in the balance sheet the book value of the government securities and other general investments corresponds exactly to market value—and if this amount were not treated as a charge, earnings for the ordinary shares would be 20.8 per cent. The distribution is reduced by decreasing the cash bonus from 4 to 2½ per cent., and on this occasion no allocation is made to development reserve. Two new items in the balance sheet of £95,217 and £84,889 are in respect of shares in, and amounts due from, subsidiary companies respectively. The setback in 1938 does not detract from the satisfactory profits record in the long term or from the company's good financial position. At a current price of 37s. 3d., the £1 shares yield £6 14s. 3d. per cent.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT

FEBRUARY 21 FEBRUARY 23

THE market displayed an altogether better sentiment, that showed itself mainly by an alert response to good news and a willingness to interpret events favourably. In the political sphere, Mr Chamberlain's reassurance upon our relations with France and the absence of further disturbances from Rome; in the economic sphere, the Southern and L.M.S. dividends, "Square Deal" developments, the clearing up of the Weston case—all these things, which in the market's former state of mind would have passed unappreciated, brought a firmer tone to most equity stocks.

As the week went on, movements in gilt-edged stocks became divorced from those in other sections. Improved political sentiment and renewed investment support brought good rises early in the week, War Loan and old Consols gaining as much as ½ on Monday. Later profit-taking brought its due reaction, and the marked recovery in industrials seemed to be at the expense of gilt-edged, which came on offer in mid-

week. Home corporations were subdued on reports of resumption of borrowing. Among Dominion stocks, which mainly followed the funds, New Zealand issues were supported. Brazilian bonds were the feature of the foreign bond market, on suggestions of a trade pact which would call for a resumption of the debt service. Japanese stocks reacted after early strength. French Railway Bonds were a bright spot among Europeans.

Home rails were much helped by the Southern Railway dividend, which in turn aroused hopes—fulfilled later—of full preference dividend payments by L.M.S. Great Western ordinary was supported on hopes of a 3 per cent. dividend, but reacted. Profit-taking brought some all-round hesitation in mid-week. Argentine rails lost ground, apart from support for Cordoba.

Industrials went ahead, consolidated their position, and then showed a strong upward movement, accompanied in mid-week by some expansion of business. Most iron and steel issues made good gains, with preference shown first for Tube Investments and later for Babcock and Wilcox. Coal shares tended to harden, but gave way slightly in early dealings on Thursday.

Rand Mines Ore Reserves.—Variations of considerable extent are shown by recent ore reserves estimates of many Rand mining concerns. A decline in value is also common, but to the extent of about one-third of a dwt. it may be regarded as an adjustment to meet the higher price of gold. In the Central Mining Rand Mines group, the Durban Deep expansion programme is reflected in an increase of 475,400 tons, while East Rand Proprietary shows a rise almost as large. An expansion of 313,000 tons by Crown Mines, though not inconsiderable, is scarcely impressive when related to a total exceeding 20,000,000 tons. These three companies have a further large tonnage locked up in shaft and safety pillars, not immediately available for stoping. The "Johnnies" group returns show a further sharp decline for Government Areas, and moderate setbacks for New State Areas and Van Ryn Deep. The Randfontein reserves of 13,550,000 tons are 550,000 tons down. Useful gains are shown by Robinson Deep and Vogelstruisbult, in the Gold Fields group, while the Simmer and Jack reserves, at 2,956,000 tons, are 572,000 tons higher, although the total represents only two years' supply for the enlarged plant. In the Anglo-American group the most notable gain is an increase of 580,500 tons by East Daggafontein, with an increased value of 6.18 dwts., but the Springs figures show a reduction of nearly 654,000 tons, while the value is reduced from 5.67 dwts. to 5.31 dwts. Consistent advances are shown by the Union Corporation group. The East Geduld reserves are 1,400,000 tons higher, while Grootvlei Proprietary shows an expansion from 2,500,000 tons to 3,750,000 tons, and Van Dyk from 1,800,000 to 2,250,000 tons, the value in the latter case being maintained at 5.8 dwts. Marievale has published its first estimate—1,100,000 tons value 6.1 dwts. over 39 inches.

The Week's Company Profits.—Gas companies and investment trusts are well represented among this week's results, which are summarised in our usual table of profit and loss accounts on page 326. This table covers 44 companies (apart from those for which comparable figures are not available), whose net profits of £4,507,000 are 5 per cent. less than the £4,741,000 earned a year ago. Aggregate net profits of the 196 companies reporting in 1939 are £20,579,000 against £22,340,000, a fall of 8 per cent. The week's results are discussed in preceding Notes and on page 312 under the heading "Shorter Comments."

Callenders were a strong feature among electrical equipment issues, but English Electric reacted in spite of the good report. Except for some mid-week profit-taking, motors (especially Austin) went ahead. Aircraft issues were relatively quiet. Textiles remained sluggish, and were not much affected by the Cotton Enabling Bill. Jute Industries preference, however, rose on the sandbags order. Breweries shared in the general improvement, and were given an extra fillip by the final settlement of the Weston case. Tobacco shares hardened after an irregular beginning. Bovril deferred, in the provision and catering section, gave way on the reduced dividend. Though business was quiet on Tuesday, miscellaneous shares took part in the general improvement.

Turnover in the oil market remained small, but apart from a slight reaction on Tuesday, prices were firmer. There was some speculative support for Mexican Eagles on rumours of an offer by the Mexican Government. One of the brightest individual features of the market was Attock Oil.

Relative firmness in rubber shares early in the week was not maintained, as it is feared that at the Committee's

meeting next Tuesday, a larger April-June quota may be decided upon. Business in the tea market scarcely expanded, but prices remained firm.

The tendency in the mining market was satisfactory, but on the whole quiet and not interesting. Among gold shares more attention was paid to West Africans than to Kaffirs. The undertone in Kaffirs was, however, firm, and Cape support was in evidence. And on Thursday there was some revival of interest. Rhodesian copper issues, and base metals generally, remained steady, but produced few movements of interest.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Feb. 3	5,190	7,425	79.1	121.1
Feb. 6	5,895	6,910	79.5	121.4
Feb. 7	5,010	6,550	80.0	121.4
Feb. 8	5,435	7,040	81.6	121.2
Feb. 9	5,655	6,810	82.1	121.2
1939 High ..	...	...	82.1	123.5
Low ...	...	...	73.7	119.9
			Jan. 27	Jan. 30

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

ACTUARIES' INVESTMENT INDEX

Further recovery is shown by the Actuaries' index of 160 industrial equity prices, which stood on Tuesday, February 7, 1939, at 60.3, compared with 59.1 a week ago, and 61.1 a month ago. The corresponding average yields are 6.25, 6.40 and 6.16 per cent. We give below a selection of the component indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1939 High
	Jan. 10, 1939	Jan. 31, 1939	Feb. 7, 1939	
Banks, etc. (10)	108.6	107.3	108.6	109.0
Bldg. matts. (6)	69.1	67.2	69.5	69.5
Elec. mfg. (13)	114.7	111.9	114.1	114.7
Motors (7)	32.6	32.1	34.2	34.2
Home rails (4)	32.6	30.0	34.9	34.9
Stores, etc. (18)	53.3	50.8	52.3	53.3
Breweries, etc. (20)	109.4	108.4	112.3	112.3

Group	Yields (%)			Prices 1939 Low
	Jan. 10, 1939	Jan. 31, 1939	Feb. 7, 1939	
Banks, etc.	4.27	4.28	4.22	107.0
Bldg. matts.	7.95	8.16	7.91	64.9
Elec. manufg.	6.27	6.37	6.25	111.9
Motors	6.49	6.57	6.18	31.9
Home rails	10.63	11.65	10.17	29.5
Stores, etc.	6.19	6.65	6.48	50.6
Breweries, etc.	6.08	6.14	5.92	106.7

New York

THE improved tendency which began at the end of last week was on the whole maintained, though not much net progress was made, and there was a small temporary setback on Tuesday. Utilities were the week's outstanding feature, and but for them, activity was on a low scale. The announcement of the T.V.A. and Commonwealth and Southern agreement, started a chase after utility stocks, accompanied by a sharp improvement in quotations which for a short time spread to industrials. Enthusiasm, however, was overdone, and Tuesday saw some reaction on

profit-taking. Prices partly recovered later, but the amount of buying remained moderate. Steels were somewhat neglected, until, with motors and rails, they led the advance in late dealings on Wednesday. The market was indifferent to the higher steel output (estimated by *Iron Age* for the current week at 54, against 53½ per cent.), and General Motors' response to the dividend announcement was delayed until mid-week.

New York Prices

	Close Latest Feb. 9, 1939		Close Latest Feb. 9, 1939	
	Feb. 9, 1939	Feb. 9, 1939	Feb. 9, 1939	Feb. 9, 1939
1. Rails and Transport				
Atchafalaya	351½	351½	Briggs	247½
Balt. & Ohio	65½	65½	Chrysler	74
B.M.T.	111¼	111¼	Elec. Autolite	29¾
Can. Pac.	5½	5½	Gen. Motors	461½
Ches. & Ohio	341¼	341¼	Hudson Mtr.	71½
G.N. Ry. Pf.	245½	245½	Nash Kelvnt.	71½
Illinois Cent.	163¼	163¼	Packard Mtr.	41½
N.Y. Central	181½	181½	Pendix Avn.	25½
Norfolk Pac.	115½	115½	Boeing Airplan	28½
Pennsylv. R.	208½	208½	Douglas Air.	69¾
Southern Pac.	17½	17½	United Aircraft	381½
Southern Ry.	181½	181½	Air Reduction	57¼
Union Pac.	93½	93½	Allied Cheml.	172
Greyhound	18½	18½	Col. Carbon	83½
			Dupont	147¼
2. Utilities and Communications			Un. Carbide	83½
Am. W'orks.	131¼	131¼	U.S. Ind. Alc.	21½
C. & S.	15½	15½	Allis Chalm.	41
Con. Edison	321¼	321¼	Gen. Electric	39½
Col. Gas & El.	77½	77½	West. Elec.	106
El. Bond & Sh.	11½	11½	American Can	94½
Nat. Pwr. & Lt.	8½	8½	Addressograph	25
N. American	24	24	Caterpillar	33¼
Pac. Gas & El.	29½	29½	Cont. Can.	39
Pac. Lightng.	42½	42½	Ingersoll Rnd	107
Pub. Serv. N.J.	33¼	33¼	Int. Harvester	57½
St. Gas & E.	31½	31½	Johns Manville	93¼
United Corp.	31½	31½	Am. Radiator	15½
Un. Gas Imp.	12½	12½	Corn Prods.	63¼
Amer. Tel.	153½	153½	I.I. Case & Co.	84¼
Inter. Tel. For.	8½	8½	Glidden	20¼
Westn. Union	21½	21½	G. Am. Trans	55¼
Radio	71½	71½	Allied Stores	9¼
" B. Pref.	64	64	Celanese of A.	19½
			Ind. Rayon	27
			Eastm'n Kdk.	173
			Gillette	7
			Loews	48¼
			20th Cen. Fox	22½
3. Extractive and Metal				
Am. Rol. Mill	181½	181½		
Beth. Steel	66½	66½		
Beth. Steel P.	110	110		
Republic St.	211½	211½		
U.S. Steel	59	59		
U.S. Steel Pf.	1116½	1116½		
Alaska J'neau	94¼	94¼		
Am. Metal	35½	35½		
Am. Smelting	45	45		
Anaconda	291¼	291¼		
Bohn Alum.	22¼	22¼		
Cerro de Pas.	435½	435½		
Int. Nickel	51	51		
Kennecott	36¾	36¾		
Patino Mines	111½	111½		
Tex. Glt. Sul.	301¼	301¼		
U.S. Smelt.	54½	54½		
Vanadium	25¼	25¼		
Atlantic Refg.	22½	22½		
Phillips Petr.	38¼	38¼		
Shell Union	131¼	131¼		
Socony Vac.	125½	125½		
Stan. Oil Cal.	28	28		
Stan. Oil N.J.	49½	49½		
Texas	44	44		
4. Manufacturing				
Briggs	247½	247½		
Chrysler	74	74		
Elec. Autolite	29¾	29¾		
Gen. Motors	461½	461½		
Hudson Mtr.	71½	71½		
Nash Kelvnt.	71½	71½		
Packard Mtr.	41½	41½		
Pendix Avn.	25½	25½		
Boeing Airplan	28½	28½		
Douglas Air.	69¾	69¾		
United Aircraft	381½	381½		
Air Reduction	57¼	57¼		
Allied Cheml.	172	172		
Col. Carbon	83½	83½		
Dupont	147¼	147¼		
Un. Carbide	83½	83½		
U.S. Ind. Alc.	21½	21½		
Allis Chalm.	41	41		
Gen. Electric	39½	39½		
West. Elec.	106	106		
American Can	94½	94½		
Addressograph	25	25		
Caterpillar	33¼	33¼		
Cont. Can.	39	39		
Ingersoll Rnd	107	107		
Int. Harvester	57½	57½		
Johns Manville	93¼	93¼		
Am. Radiator	15½	15½		
Corn Prods.	63¼	63¼		
I.I. Case & Co.	84¼	84¼		
Glidden	20¼	20¼		
G. Am. Trans	55¼	55¼		
Allied Stores	9¼	9¼		
Celanese of A.	19½	19½		
Ind. Rayon	27	27		
Eastm'n Kdk.	173	173		
Gillette	7	7		
Loews	48¼	48¼		
20th Cen. Fox	22½	22½		
5. Retail Trade, etc.				
Mont. Ward.	48½	48½		
J. C. Penney.	76½	76½		
Sears Roebck.	68	68		
Walgreen.	17¼	17¼		
Woolworth	48½	48½		
Borden	17½	17½		
Gen. Foods.	381½	381½		
Kroger Grcy.	23¼	23¼		
Nat. Biscuit.	24½	24½		
Nat. Dairy	13¼	13¼		
Am. Tob. B.	88¼	88¼		
Lorillard	21½	21½		
Reyn. Tob. B.	41	41		
Nat. Distillers	25¼	25¼		
Schenley Dis.	14½	14½		
6. Finance				
Comcl. Credit	52½	53¼		
Atlas Corp.	8	8		
Com. Inv. Tr.	55¼	55¼		

Week ending	Nominal Capital		Conversions		New Money
	£	\$	£	\$	
February 11	400,000	...	...	...	400,000
To the Public	481,156	...	...	...	481,156
To Shareholders	300,000	...	...	...	299,625
By S.E. Introduction	315,579	...	...	...	321,247
By Permission to Deal	Nil	...	...	...	Nil
Sav. Certs., week ended	Nil	...	...	...	Nil
February 4	Nil	...	...	...	Nil

the following index figures of American values calculated on closing prices (1926 = 100).

WEEKLY AVERAGES					
	1939		Jan 25, 1939	Feb 1, 1939	Feb. 8, 1939
	Low Jan. 25	High Jan. 4			
347 Ind'l's. ...	103.2	114.5	103.5	105.3	107.4
32 Rails	27.0	32.5	27.0	27.7	28.5
40 Utilities ...	80.3½	85.2½	80.9	81.8	85.2
419 Stocks ...	87.4	95.6	87.4	89.0	91.1
Av. yield *	3.71%	3.31%	3.71%	3.65%	3.55%

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	12,338,483	1,214,516	5,974,845
1938 (Old Basis)	12,205,365	1,094,758	1,153,330
1939 (Old Basis)	11,104,500	548,000	3,249,580
1938 (Old Basis)	8,957,277	582,500	5,647,796

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 OFFER

Butlin's, Ltd.—Issue at par of £150,000 5½ per cent. first mortgage debenture stock and 250,000 6 per cent. cumulative participating redeemable preference shares. Stock redeemable at 102½ in 1966 or by drawings from 1938; or on notice 1947–57 at 105, or at 102½ thereafter. Preference participate up to further 4 per cent. after 6 per cent. on ordinary. Net assets, £514,761. Net profits, after depreciation before debenture interest, years to October 2: 1937, £56,210; 1938, £95,483.

BY STOCK EXCHANGE INTRODUCTION

Park Gate Iron and Steel Company.—Particulars of issue of £400,000 4½ per cent. first mortgage debenture stock. Redeemable at par October, 1963, from 1949 at various dates and rates, or by drawings from 1940. Messrs Helbert, Wagg and Company take issue at 98½ less 1½.

ISSUE TO SHAREHOLDERS ONLY

English Electric Company.—Issue of 481,156 £1 ordinary shares at par to holders as at February 14th, in proportion of one £1 share for £3 ordinary stock held. New shares rank *pari passu* with the present ordinary stock for all dividends out of 1939 profits.

BONUS SHARES

Property and Reversionary Investment Corporation.—A capital bonus is recommended of one new ordinary share for five held, by capitalising £30,000 of the capital reserve of £98,234.

SHORTER COMMENTS

Company Results of the Week.—Public utilities form a good proportion of the week's results. Both WANDSWORTH AND DISTRICT GAS and SOUTH SUBURBAN GAS report net profits which are practically unchanged. A reduction in quantities of gas sold was offset by an increased price. The fall in POWER SECURITIES net profits is entirely due to higher taxation and other expenses; total profits are almost unchanged at £137,363. While most investment trusts continue to show lower earnings, RAILWAY SHARE TRUST AND AGENCY, and RAILWAY DEBENTURE AND GENERAL TRUST report slightly higher income. Both companies are to change their present names, which are no longer appropriate. CINZANO, LTD., revenue in 1937–38 was £147,547, against £122,757, but net profits in 1936–37 included a transfer of £19,000 from exchange reserve. The latest accounts give effect to the repayment of 2s. 6d. on each ordinary share and the cancellation of preference shares. General industrial and political conditions are responsible for the sharp fall in ENGLISH CHINA CLAYS net profits from £82,044 to £45,446. The maintenance of GREENLEES AND SONS ("EASIEPHIT" FOOTWEAR) net

profits and dividend are satisfactory. The accounts, however, cover 53, against 52, weeks. GEORGE OUTRAM AND COMPANY report higher publishing, but lower advertising revenue, and higher costs. The dividend is repeated, although net profits have declined. A sharp fall in profits, from £74,702 to £47,056, is recorded also by COOK, SON AND COMPANY (ST. PAULS), who are paying preference, but not ordinary, dividends.

MISCELLANEOUS

General Mortgage Bank of Palestine.—At the annual general meeting of the bank held at Tel-Aviv, Mr S. Hodfien pointed out that, while this was the third time he had had to speak of the disturbed state of the country, he could again say that the bank's business had not suffered. And the bank's unique record was maintained—that it had never sustained a loss.

London Passenger Transport Board.—Interim dividend of 1½ per cent. on the "C" stock, as before.

International Nickel Company of Canada.—Quarterly dividend 50 cents per share. In each quarter of 1938 50 cents per share was paid.

South Suburban Gas.—Report for 1938 shows receipts from sale of gas £1,023,423 (£1,006,812); total income £1,526,119 (£1,490,662). Costs of manufacture £678,653 (£697,757), distribution £446,904 (£414,614). Net profit after expenses and interest, £153,152 (£148,439). Brought in, £21,582 (£18,443); pref. div. £55,016 (£52,672). Ordinary dividend 6 per cent., as before. Carry-forward £27,091.

Wandsworth and District Gas.—Report for 1938 shows receipts from sale of gas £1,142,244 (£1,113,281); residuals £340,925 (£331,464); total inc. £1,695,448 (£1,659,078). Costs of manufacture £824,229 (£805,928), distribution £376,768 (£378,318). Net profit after expenses and interest, £194,495 (£194,116). Brought in £28,372 (£31,591); total dividend on consolidated stock 7 per cent. (same), and £27,423 (same) allocated to employee co-partners.

Electricity Commission.—The Commissioners are issuing four-weekly statements (every fourth Tuesday) concerning loan sanctions issued to public authorities for electricity purposes. The first such statement shows loans sanctioned in: Nine months to December 31, 1938, £17,527,628 (£12,371,117); four weeks to January 28, 1939, £1,958,168; period from April 1, 1938, to above date, £19,485,796 (£14,124,429).

Edmundsons Electricity Corporation.—Results of the group's operations in January, 1939, as compared with January, 1938, show an increase of 20 per cent. of units sold.

The Bank of Nova Scotia.—Net profit year 1938, \$1,980,770 (\$1,982,140). Dividends, 12 per cent. as before, absorbing \$1,440,000. To pensions, \$185,000 (\$180,000). Premises, \$250,000 (\$250,000). Carry-forward raised from \$915,456 to \$1,021,227. Total assets, \$309,305,815.

Borax Consolidated, Ltd.—Net profit year to September 30, 1938, £405,284, compared with £486,232. Deferred ordinary dividend, 7½ per cent. (against 7½ per cent. plus a bonus of 2½ per cent.).

Pearl Assurance Company, Ltd.—Final dividend 27½ per cent., plus cash bonus of 2½ per cent., both tax free making 55 per cent. tax free for 1938 as before.

American Industries Trust.—This Trust (started in June, 1938) has issued its first progress report, which includes the composition of the fund as at December 31, 1938. In the half-year, eleven holdings were sold (all at a profit) and four repurchased at lower prices; net realised profit was over 9d. a unit.

Northampton Electric Light and Power.—Preliminary statement for 1938 shows net profit of £124,511, an increase of £6,675. Ordinary dividend maintained at 10 per cent., plus a jubilee cash bonus of 1 per cent.

Commercial Gas Company.—Gross receipts, 1938, £792,680, a decrease of £9,954. Ordinary dividend reduced from 5 to 4½ per cent. Transfer of £4,669 from reserve, which now stands at £84,389.

Lancashire Electric Light and Power.—Trading profits, 1938, £552,708, against £506,278. Final ordinary dividend, 5, making 7½ per cent. for year (same).

Power Securities Corporation.—Net profit for 1938, £95,298, against £104,811. Preference dividend, £25,375 (£26,833). To general reserve, £30,000, against £50,000 to investment reserve. Ordinary dividend maintained at 7 per cent. Carry-forward reduced from £16,384 to £15,708.

Scottish American Investment Company, Ltd.—Net earnings, 1938, £144,736, a decrease of £34,146. Ordinary dividend, 7 against 7½ per cent. Market value of investments showed a depreciation of 11.03 per cent. (against 17.8 per cent.).

Sterling Trust, Ltd.—Income for 1938, £199,487 against £210,043. Debenture interest, £85,450 (£88,396). Net revenue, £97,458 (£104,133). Written off investments, £22,157 (£40,000). Preference dividend, £31,901. Ordinary dividend reduced from 7 to 6½ per cent. Carry-forward raised from £68,861 to £70,790.

Mercantile Investment and General Trust.—Final ordinary dividend, 8½ making 12 per cent. for year, as before. Net revenue, £233,476 (£245,398). To general reserve, £15,000 (£60,000). Carry forward £120,537 (£118,550).

United States Debenture Corporation.—Net revenue for year to January 31, 1939, £167,648 against £181,004. Ordinary dividend, 10 per cent., as before. To dividend reserve, £9,898 (£23,254). Carry-forward remains at £100,000. Average yield of funds was 5.1 against 5.6 per cent.

Dickins and Jones, Ltd.—Profits for year to January 31, 1939, £106,893, a decrease of £18,204. Final ordinary dividend 5 per cent., making 10 against 12½ per cent. For tax and N.D.C., £10,500 (£7,000). To leases, £7,930 (£12,500). For improvements, £5,000 (£10,000). Carry-forward reduced from £47,861 to £39,130.

Bovril, Ltd.—Final dividend of 3½ per cent., making 6 per cent. for 1938, on £1,000,000 deferred capital. For 1937, dividend was 6½ per cent. To reserve, £35,000 (£65,000). Carry-forward raised from £71,364 to £73,852.

I.C.I.—Cerebos Salt.—As the result of a new agreement between most of the leading salt manufacturers—including Imperial Chemical Industries—Cerebos, Ltd., has raised its prices to the retail trade by about 10 per cent. for certain kinds of salt.

Whitworth and Mitchell, Ltd.—Trading conditions during the half-year to December 31, 1938, have been extremely difficult, but have resulted in a profit. The half-year's dividend on the preference shares has been paid to that date, but no interim ordinary dividend can be paid on the ordinary shares.

Scottish and North Country Investment Fund.—Progress report on operations for the half-year ended February 3, 1939, shows distribution for half-year at rate of £4 7s. gross per cent. per annum on initial price (3.80d. net per unit for the half-year) compared with £4 12s. for previous year. The report shows changes in the composition of the fund. It also contains a statement from the auditors, which is the first auditors' report in the terms recently published by Municipal and General. They calculate the yield on units as £5 9s. per cent. gross, at 17s. per unit.

Industry and Trade

A Cotton Enabling Bill.—The Cotton Enabling Bill, sponsored by the Joint Committee of Cotton Trade Organisations, has passed a further milestone on the long road to the Statute Book. After the Board of Trade had been informed that the proposals had received the support of more than two-thirds of the producing interests concerned, Mr Oliver Stanley announced in the House of Commons on Thursday last week that the clauses of the Bill would be published this week and that an official ballot would then be taken to ascertain the views of the industry. The draft Bill, which has now been published, embodies the Committee's proposals. It defines the methods by which the reorganisation of the industry is to be carried out and provides the administrative machinery for this task. The ballot papers, on which each firm which appears to be within the industry is invited to record its vote for or against the draft Bill by February 25th, have already been sent out. The weight attached to each vote will be determined with reference to the return made by each firm to the Census of Production Office in connection with the Import Duties Act Enquiry of 1937. No ballot papers have been sent to merchants, and the Board of Trade has invited the Chambers of Commerce of Manchester, London and Glasgow to ascertain the views of their members interested in the Bill. The trade unions chiefly concerned have also been asked to express their views. The fate of the Bill will soon be known. An Enabling Act, however, will do no more than provide an opportunity for re-organisation; its efficacy in improving the position of the industry will depend entirely on the use which will be made of the opportunity it provides.

Monopoly in Cement.—In a Note on the cement industry on page 502 of *The Economist* of December 3, 1938, we commented on the intention of an outside concern to cut into the market by the erection of factories in Kent and Devonshire. The decision to risk the heavy capital expenditure necessary to secure a slice of the cake was prompted by the profitable level of prices. In contrast to those of most other materials, the price of cement was raised at the end of 1937, when business activity began to decline, largely on the ground of the rise in coal prices. Early last year the Associated-Alpha-Tunnel groups, controlling 80 per cent. of the industry's total capacity, entered into a close working agreement, "cemented" by an exchange of shares. It is now reported that the plan to erect two new factories, which had caused resentment among the big groups, has been abandoned. It would be interesting to know the reason for this change of plan. Is it because the interests sponsoring the scheme were given to understand that their venture might be unprofitable? In other words, have the leaders of the established industry threatened to drive the newcomers out of business by price-cutting? Such an explanation would not be at all surprising. Meanwhile, plans are said to be afoot to close the ranks of the industry by a revival of the quota scheme abandoned at the end of 1937. But, whereas the old scheme was based on cash payments for under-production and penalties for over-production, the scheme now apparently under discussion would involve the distribution of orders to each unit of the industry by a central organisation, the share of individual concerns to be based on the volume of orders secured in the preceding twelve months. The prospects of a fall in consumption, and the possibility of a new bout of price-cutting, recently forecast by Lord Wolmer, chairman of the Cement Makers' Federation, have obviously encouraged the industry to strengthen its position. Asked in the House of Commons whether he would recommend the removal of the import duty on foreign cement, all that the President of the Board of Trade would

say was that it was open to consumers to make representations to the Import Duties Advisory Committee.

Two Million Unemployed.—As usual, employment declined, and unemployment rose, sharply between December and January. The number of registered unemployed in Great Britain (inclusive of agriculture) rose above two millions for the first time since February, 1936. The increase between December and January was 208,000, compared with one of 163,000 a year ago. Simultaneously, the estimated number of insured persons aged 16 to 64 employed in Great Britain (exclusive of agriculture) declined by 168,000, compared with a fall of 125,000 a year ago, 19,000 in 1937 and 238,000 in 1936.

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	
	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
Nov. 15	1,499	73.4	1,228	10.6	11,580	111½
Dec. 15	1,665	83.5	1,284	11.7	11,444	109½
1938						
Jan. 17	1,828	83.5	1,419	12.8	11,319	110½
Feb. 14	1,810	84.0	1,405	12.7	11,338	110
March 14	1,749	85.8	1,350	12.4	11,390	109½
April 4	1,748	87.9	1,321	12.3	11,412	109½
May 13	1,779	89.5	1,314	12.5	11,406	109½
June 13	1,803	91.0	1,269	12.8	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	12.5	11,455	110
Nov. 14	1,828	89.6	1,456	12.7	11,428	110
Dec. 12	1,831	91.9	1,474	12.7	11,452	110
1939						
Jan. 16	2,039	93.0	1,594	...	11,284	110

The returns do not point to any significant deterioration in business activity, for the somewhat bigger increase in unemployment, and reduction in employment, than at the turn of 1937 can be attributed largely to the fact that the weather was unfavourable to outdoor work on the day of the count. Our index of employment, which is adjusted for seasonal variations, remained unchanged in January, but the unemployment index shows a further

KANSALLIS - OSAKE - PANKKI

(NATIONAL JOINT STOCK BANK)
ESTABLISHED 1889

PAID-UP CAPITAL AND RESERVES	FMK 545,000,000
DEPOSITS AND CREDIT BALANCES	December, 1938 4,436,000,000

Head Office : HELSINKI (Helsingfors) FINLAND

Our large network of branches, comprising 208 BRANCHES, ensures prompt and efficient execution of your collections and payment orders

Telegraphic Address : KANSALLISPANKKI

rise, due in part to the increase in the working population. Compared with January, 1938, employment has been fairly well maintained, the figures for last month showing a decline of only 35,000. On the other hand, the number of registered unemployed showed an increase of 211,000 between January, 1938, and January, 1939. A geographical analysis of changes in unemployment between December and January shows increases in all the administrative divisions. The seasonal nature of the movements is revealed by the figures for individual industries. Thus, the number unemployed rose by 54,001 in building, 29,158 in distribution, 14,556 in agriculture, 9,416 in public works contracting and 3,514 in stone quarrying and mining. But there were also significant increases in metal goods manufacturing, engineering and in the woollen and worsted trades. Unemployment declined by 12,917 in coal-mining and 4,100 in iron and steel. It remains to be seen whether the next few months will show the usual seasonal reduction in unemployment.

Larger Imports of Eggs.—Imports of eggs in shell in 1938 reached the record level of 27.7 million great hundreds, thus exceeding by a million great hundreds the previous record established in 1930, before the imposition of import duties in 1932. The table below, which gives British imports in 1930 and the last three years, shows that the expansion in imports between 1937 and 1938 came almost entirely from foreign countries. A small decline in imports from Denmark (still the largest supplier of the British breakfast) was far more than counterbalanced by increased supplies from almost every other country. It is interesting to note that the countries of South-Eastern Europe, who have been most affected by the German trade drive, have largely increased in the last two years their shipments of eggs to this country. Egg prices were affected in 1938 by the dry spring and long mild autumn, which maintained production at unusually high levels for these periods both in England and in other European countries.

BRITISH SUPPLIES OF EGGS IN SHELL
('000 great hundreds)

	1930	1936	1937	1938
Imports:—				
Eire	4,781	2,563	1,949	2,218
Australia	566	1,635	1,263	1,010
Denmark	6,728	7,989	9,993	9,511
Netherlands	3,681	3,800	4,310	5,933
Baltic Countries*	3,613(a)	3,924	3,790	4,511
Central Europe†	(b)	1,297	907	2,252
China	1,715	1,329	1,091	298
S. America‡	(b)	723	451	1,010
Other Countries	5,477	1,349	978	955
Total imports	26,561	24,609	24,732	27,697
Home production	34,000	37,700	36,700	35,000

* Poland, Finland, Sweden, Norway, Lithuania, Latvia, Estonia.
† Roumania, Hungary, Yugoslavia, Bulgaria.
‡ Argentina, Uruguay, Brazil, Chile.
(a) Poland only.
(b) Included in other countries.

On the average of the year, however, egg prices were slightly higher than in 1937, in spite of the increase in imports, which far more than offset the small decline in home production. Suppliers, both at home and abroad, of eggs to the British market are therefore likely to have had a fairly profitable year in 1938, when falling prices of feeding stuffs coincided with increased consumption and a slight rise in prices.

The Tin Dilemma.—Judged by price movements, the international control of tin exports has achieved a fair measure of success in the past year, when the apparent world consumption of the metal showed an appreciable decline. While the world's estimated intake of tin fell from 17,000 tons in December, 1937, to 11,300 tons in December, 1938, the average price of the metal in London rose from £190.6 to £214.6 per ton. But this result was achieved by a drastic curtailment of the exports of the countries adhering to the control scheme. The quota was successively reduced from 110

per cent. of the agreed basic tonnages in the last quarter of 1937 to 45 per cent. in the second half of 1938 and in the first quarter of 1939. An even more drastic cut has been averted by the expedient of withholding from the market nearly one-quarter of the permissible exports since July, 1938, as a reserve for evening out future price fluctuations. As the total stocks of tin (visible supply and carry-over), which increased only from 25,711 tons at the end of December, 1937, to 29,494 tons at the end of the past year, include the supplies accumulated by the Buffer Pool, the stocks actually available to the market must now be appreciably lower than a year ago. So far, however, prices have obstinately refused to rise to £230 per ton, the figure at which the Pool originally intended (so it was reported) to augment market supplies from its reserves. Despite the recovery on the commodity markets during the past fortnight, tin could still be bought at £213 15s. per ton on Wednesday. But the Pool cannot continue to add to its reserves indefinitely. Unless, therefore, demand shows an early improvement, which is a possibility, the industry will have to choose between the two unpleasant alternatives of reducing the export quotas below 45 per cent. of the agreed standard tonnages for the second quarter of this year or allowing prices to fall.

Production of Small Fruit.—Since 1931, imports of small fruits into the United Kingdom have been restricted by high duties. Imports of strawberries, for instance, fell from 90,000 cwts. in 1931 to 6,000 cwts. in 1934, since when there was a slight recovery to 26,000 cwts. in 1937. Similarly, imports of currants declined from 103,000 cwts. in 1931 to 11,000 cwts. in 1937, and imports of preserved fruits and fruit pulp have also fallen below the 1931 level, except for a temporary peak in 1933. In spite of this decline in imports, the acreage under small fruits in England and Wales has fallen steadily for some years past, as is revealed in the table below:—

AREA UNDER SMALL FRUIT*

	1928	1930	1934	1938
Total (acres)	64,721	66,209	61,033	49,283
of which				
Strawberries	20,400	21,500	24,500	20,600
Raspberries	6,200	6,600	6,800	4,700
Black currants	13,500	13,400	9,500	10,036
Red and white currants	4,400	4,300	3,100	2,361
Gooseberries	18,700	18,500	13,200	9,331

* Including small fruit in orchards.

A large part of this decline must be ascribed to the increasing incidence of disease, which has particularly affected the cultivation of strawberries. Highly infectious viruses are now widespread in many of the fruit-growing districts, and until immune varieties of strawberries have been established, cultivation will continue to fall in the former fruit-growing districts, such as Hampshire and Kent. It is worth noticing that the area under small fruit in Scotland has slowly increased in recent years; a marked expansion in the area under raspberries has more than counterbalanced a fall in the acreage of strawberries and other fruits.

The London Metal Exchange.—After the unprecedented speculative activity in base metals in 1937, it was only to be expected that the turnover in 1938 of the London Metal Exchange would show a sharp decline. The following table, which covers the trading of both the official mid-day meetings and of the afternoon sessions, shows the official turnover figures in recent years for the four leading base metals:—

TURNOVER OF THE LONDON METAL EXCHANGE
(Long tons)

	Copper	Tin	Lead	Spelter
1935	597,300	68,100	259,200	127,300
1936	457,200	78,300	335,100	248,300
1937	711,400	101,900	482,000	594,700
1938	475,400	91,100	387,300	296,500

Compared with the two earlier years, however, it will be seen that the 1938 turnover of three of the metals registered respectable gains; dealings in copper were affected during ten months of 1938 by the restriction of output, which was in force for only six months in 1936. Taken as a whole, therefore, these figures indicate that the London Metal Exchange has maintained its position as the clearing-house for the international trade in base metals, although metal exchanges in other countries have declined in importance in recent years.

Bacon Supplies in 1938.—Imports of bacon into this country, regulated since 1933 by an import quota, were slightly smaller in 1938 than in 1937, but appreciably larger than in 1936. Home production in 1938 is not yet known, but as there has been a steady decline in the total number of pigs in Great Britain during the last three years, output will certainly have been smaller than in 1937. This reduction in total supplies caused a rise in bacon prices in 1938, as is shown by the following table from *Weekly Dairy Produce Notes*:—

	BACON PRICES ON LONDON PROVISION EXCHANGE			
	1932	1936	1937	1938
	s. per cwt.			
English No. 1 sizeable—				
March	93.3†	94.9	94.0	102.0
June	89.3†	93.0	87.0	98.3
September	83.0†	96.9	103.0	99.0
December	81.0†	93.0	98.3	98.0
Annual average	86.6†	93.3	95.6	99.0
Danish No. 1 sizeable—				
March	55.6	94.6	90.0	102.3
June	60.0	92.0	88.0	98.3
September	66.9	100.0	103.6	99.0
December	64.6	91.6	97.9	97.3
Annual average	59.0	93.6	94.3	99.3

Home production	1,250*	3,482	3,111	...
Total imports	11,391	6,570	6,926	6,868

† Prices of British Wiltshire green at Bristol.

* Output in 1930-31.

During the last three years bacon prices have been kept at a fairly stable level, through the regulation of supplies; nevertheless, the seasonal variations in prices, due partly to the uneven distribution of home production throughout

the year and partly to fluctuations in demand, have not been noticeably reduced. There seems, however, no reason why the fall in home production in 1938 should have been allowed to bring a further rise in prices when the volume of imports could easily have been expanded to meet the deficiency.

Recovery in Steel Production.—Last December the output of pig iron and steel suddenly fell to the lowest level since February, 1934, and August, 1933, respectively. In commenting on these figures we reached the conclusion that the decline in December was due largely to the fact that, in view of the price reductions at the turn of the year, consumers took delivery of no more materials than they actually needed in that month. The returns for January, given below, tend to confirm this inference, for January given below, tend to confirm this inference, for buted to seasonal influences.

PRODUCTION OF PIG IRON AND CRUDE STEEL
(In thousands of tons)

	Pig Iron		Steel Ingots and Castings		
	1937	1938	1937	1938	1939
January ...	650.7	761.1	500.5	998.9	1,081.4
February ...	603.7	693.3	—	995.9	1,057.6
March ...	680.3	714.6	—	1,109.5	1,115.8
April ...	680.7	661.0	—	1,080.4	938.6
May ...	696.3	633.9	—	1,047.3	957.0
June ...	699.3	541.5	—	1,106.4	776.1
July ...	729.3	507.8	—	1,059.2	683.2
August ...	714.0	443.0	—	987.7	658.9
September ...	726.6	429.8	—	1,163.0	754.7
October ...	769.6	469.4	—	1,133.6	854.8
November ...	762.3	461.5	—	1,178.3	860.0
December ...	783.8	445.8	—	1,103.8	655.7

While the output of both pig iron and crude steel showed a decline at the turn of the two preceding years, production registered an appreciable increase in the past month, which can scarcely be attributed to the orders for steel shelters.

Correction.—The figures for the stocks of butter in cold storage given on page 264 of last week's issue of *The Economist* should be amended to read 134,300 cwts. and 254,700 cwts. respectively.

INDUSTRIAL REPORTS

SOME of the reports from industrial centres are a little more cheerful this week mainly as a result of the fall in political tension. While the home demand for coal remains fairly active, there are also indications of an increase in export inquiries. Business on iron and steel markets, though still small, is a little more active. There has been quite a spurt in some of the textile trades. Business in cotton yarns and piece-goods has increased, and sales of the latter were in excess of current output. The jute trade is more active and profit-margins have widened, mainly as a result of the heavy demand for sandbags. The Wholesale Textile Association reports that business has opened well in February in all departments. The provisional terms of the agreement between the railways and the road haulage industry are discussed on page 290.

Coal

Sheffield.—Demand for most classes of industrial coal is moderate, and prices are steady. Pressure for household fuel has eased, but demand remains good. Business in gas coal is active, and good deliveries are being

made to electricity works. Stocks of coking smalls are accumulating. Blast-furnace coke shows some improvement, and contract renewals are being made at 21s. 8d. per ton on rail at ovens. Large selected patent oven coke and graded coke for central heating is steady at 27s. per ton at ovens.

Although export inquiries are rather more numerous, there is not much new shipment business.

Newcastle-on-Tyne.—There is a more cheerful tone in the coal market, as a result of the improvement in foreign inquiry. Screened steam coals continue in keen demand, collieries in both Northumberland and Durham being well booked ahead. Graded fuels and smalls are offered freely for any position. Durham gas and coking collieries are comfortably placed, but some of these collieries would be glad of more forward business. Patent oven coke remains a very quiet market.

Glasgow.—Supplies are readily taken up. The operation of the Anglo-German agreement is expected to make for better conditions. Inferior grades of domestic fuel are slightly more plenti-

ful, but in general the collieries have several weeks' arrears of deliveries to make good, and in Lanarkshire splint coal is still being taken up for household consumption. This area is little concerned with export business for the time being, orders in any case being difficult to negotiate, owing to price differences. Ayrshire is comfortably placed for business for all qualities, as are Fife and the Lothians, although odd parcels of round coal and of doubles and singles could be obtained.

Cardiff.—There has been no improvement on the Cardiff coal market. One or two important contract inquiries have been reported, including one for the supply of 200,000 tons for Dutch electricity works, but day-to-day transactions are negligible. Shipments at the South Wales docks improved slightly last week, but at 323,700 tons they were about 50,000 tons less than in the corresponding period last year, and for the first five weeks of the year the decrease amounts to 275,000 tons. The market in dry sized coals, including grains, is firm; other smalls, particularly coking and steam classes, are weak. Exporters are expressing dissatisfaction at the

continued decline of trade with France notwithstanding the assurances given under the agreement of December 10th last. Prices are nominally unchanged.

Iron and Steel

Sheffield.—The disparity between pig iron and scrap prices appears to be hindering sales of the former. Nevertheless, there is a slightly better inquiry for forge iron, and foundry iron is in fairly steady demand. There is very little forward buying, sales being to supplement deliveries under contracts not yet exhausted. There is little change in hematites, and apart from common bars there is not much doing in finished iron.

There is a fair market for basic and acid steel billets, and some improvement is noted in the call for wire rods and strip. Structural steel business continues unsatisfactory.

The iron and steel scrap market is making a rather better showing, but there are still heavy supplies of imported material to be disposed of, and until these are out of the way, sales of home-produced scrap will probably show no great expansion.

★

Middlesbrough.—The demand for Cleveland pig iron is only moderate; there is no inducement for consumers to place forward contracts and the present output is more than sufficient to meet requirements. Some foundries are using cast-iron scrap in place of pig iron. East Coast hematite makers are still heavily stocked, but deliveries are steady and stocks are not increasing.

The sheet departments of the steel works continue busy and it is expected that orders for light sections will shortly be placed by the Government in connection with the A.R.P. shelters. Steel for ordinary requirements is quiet, due to the lack of demand from the building trades and the shipbuilding yards.

Iron and steel scrap is in better demand, and deliveries against old contracts are improving. More blast-furnace coke is going into consumption; whilst foreign ore imports are steady, there is very little new business.

★

Glasgow.—Many branches of the industry are now busy on work for the Services and it is anticipated that, after the initial difficulties are overcome, many plants will be running to capacity. Commercial business is showing an improvement, both in the home and export markets. The demand for practically all classes of steel material is good but the steelmakers are unlikely to be able to keep plants working to capacity until there is a better demand for shipbuilding material. Fabricators are busy, and they have orders on books sufficient to ensure full-time working for months to come.

★

Cardiff.—Shipments of tinplates at Swansea are a little more active and last week they totalled 5,564 tons, compared with 2,280 tons the previous week. The bulk of these deliveries, however, came from stock, and with no appreciable change in the inland market

position production continues at the low rate of only just over 40 per cent. of capacity. There is a better demand for sheets and the supply for air raid shelters is increasing.

★

News from Abroad.—There are still no signs of a seasonal revival on international steel markets. On the contrary, trade has recently deteriorated in some respects, partly because buyers doubt the ability of the Cartel to maintain prices in view of the unsatisfactory demand. As on former occasions, however, the Comptoirs are of the opinion that a general price reduction will not result in a substantial and lasting increase of orders.

At a meeting of the managers of the Comptoirs on January 28th in Brussels, it was decided that the price reductions on the British market for merchant bars, sections and thick plates should be applicable in the Empire. The meeting also dealt with the Australian competition on some Far Eastern markets and decided to send a delegation to Australia. A conference of the Executive Committee of the Cartel, which was convened at Cologne, has been postponed because the question of the Czecho-Slovakian quota, which was on the agenda, is not yet ripe for a solution. It is reported that the gold-sterling conversion ratio is not likely to be altered until the pound has found its new level.

Considering the poor demand prices have remained relatively stable. A substantial South African inquiry for plates is being negotiated, and the price of thick plates for this market has been reduced from £9 7s. 6d. per ton to £9 5s. A Japanese inquiry for 50,000 tons of semi-products and plates has not yet been secured and it is reported that an Australian offer is being considered. Several substantial inquiries from South America have been received, and Holland has bought several thousand tons of ship-plates.

Textiles

Cotton (Manchester).—The market has been more cheerful, due largely to the improvement in the European political situation. Inquiry in yarn and piece-goods has broadened and more business has been done than for some little time back. The raw cotton market remains dominated by the uncertainty concerning the future agricultural policy of the United States Government, but there has been very little change in prices.

An increased business has been done in yarns. In the American section most of the buying has been in the coarser counts. Rather more orders have been secured in Egyptian qualities for home consumption. Freer buying has been reported in coarse Egyptian counts for Germany, and some mills that generally use American cotton have turned to this trade.

Sales of piece-goods have shown a distinct improvement, and quite a number of manufacturers have sold more than a week's production. The chief support has come from the home trade and leading wholesale establishments have replenished supplies to an encouraging extent. Very fair orders

have been placed by the Government in materials suitable for the defence forces. Buying for export has been irregular. Delivery instructions against old contracts have come in more freely.

★

Jute (Dundee).—After the placing of orders in Calcutta by the British Government for 200 million sandbags, the prices of raw jute, jute yarns and jute cloth all advanced strongly. The sandbags have to be delivered at the rate of 25 millions this month and in March, and at the rate of 50 millions in April, May and June. This order could not have been undertaken by Dundee manufacturers, who are already delivering almost as much as they can. They are all busier and prices for yarns and cloth have risen.

Since December 1st the price of raw jute has risen by £5 7s. 6d. per ton for the full group of Daisee-2/3, but until this week quotations for yarns and cloth have scarcely moved. Now, however with Daisee-2/3 selling at £23 7s. 6d. per ton for the full group, spinners in many cases are refusing to quote, while others indicate that they might accept 2s. 4d. for common 8-lb. cops and 2s. 5d. for 8-lb. spools. Manufacturers are now asking 2½d. for 10-oz. 40-in. hessians and 2¼d. for 8-oz., an advance of ¼d. per yard.

The market in Calcutta goods has been firm; 10-oz. 40-in. hessians have risen by 1s. 10d. and 8-oz. by 1s. 5d. during the past week. The sandbag order of the British Government should assist in reducing the huge stocks of hessians in Calcutta by June 30th, even if output is not curtailed. Calcutta is anticipating further orders for sandbags from France and America.

THE COMMODITY MARKETS

AFTER last week's recovery, the prices of the principal primary products have shown little change. For example, Moody's index of the prices of staple commodities in the United States (December 31, 1931 = 100) for Wednesday was 142.9, the same as a week earlier.

Wheat and raw sugar were slightly cheaper. In view of the meeting of the International Rubber Regulation Committee next Tuesday, the rubber market was a little nervous and prices tended to sag. Raw cotton was marked up a little, for the American Government is unlikely to depress prices by heavy liquidation of its holdings.

Copper, lead, spelter and tin were all a shade cheaper.

There is still no evidence of a restocking movement, and most consumers are content to purchase only for immediate requirements.

Metals

Copper.—After rising to £43 3s. 9d. per ton in the first half of the week, the standard cash price relapsed owing to poor demand and closed on Wednesday at £42 10s. per ton, a net loss of 6s. 3d. The trend of con-

COMPANY MEETING

GENERAL MORTGAGE BANK OF PALESTINE, LIMITED

INCREASE IN YEAR'S PROFITS

PROOF OF SOUND POLICY

The seventeenth annual general meeting of the General Mortgage Bank of Palestine, Limited, was held on February 5th last in the bank's offices at Tel-Aviv.

Mr S. Hoofien (the chairman) said that for the third time in succession he had to draw attention to the disturbed state of the country in which the bank's business was concentrated. There had been a recrudescence of unrest and violence; immigration had been severely restricted and initiative and enterprise had been more than ever discouraged. A conference had now been called, and at one time the British Government apparently hoped that it would succeed in reconciling conflicting aspirations on this occasion. It had, however, transpired that the Arab delegation to the conference was entirely dominated by the Mufti, whose policy had been condemned by the Royal Commission, by successive Secretaries of State and by the Government itself. The delegation was entering the conference with a programme that left no hope of any agreed solution, and the British Government would apparently have to impose its own solution. It was only to be hoped that it possessed one.

BUSINESS MAINTAINED DESPITE DISTURBANCES

As last year, the directors were able to state that the bank's business had not suffered; the bank's policy had been put to the severe test of three years of disorder and depression, and it had emerged success-

fully. Again, the bank's unique record of not having sustained any loss had been maintained during the year under review.

No interest which was not actually collected was credited to profit account. Arrears of interest amounted to less than one-half per cent. of the aggregate amount outstanding. It would have been an easy thing to reduce these arrears, but the bank saw no reason, so long as the bank's interests were entirely safeguarded, to use harsh means where default was genuinely due to adverse general circumstances, and the courts were following a similar policy.

As in the previous year, the major part of the loans granted had been used for the repayment of existing private mortgage loans, and the scope for building loans was still comparatively narrow.

The item "Mortgage loans" in the balance-sheet had gone up by £P.439,191, and it now stood at £P.3,043,421.

The share capital had again been increased through the issue of £P.25,000 ordinary shares, and it now stood at £P.475,000. Additional working capital had been provided through the issue of £P.500,000 5 per cent. twenty-year debentures.

DIVIDEND PAYMENTS

The directors were glad to be able to say that business results had again been most gratifying. A net profit of £P.49,310 (as against £P.43,746 in the previous year) was available after the usual ample provision for contingencies and for debenture interest had been made. During the year an amount of £P.2,500 had been transferred to reserve account out of premium on shares issued, and a further amount of £P.15,000 had been added out of the year's profits. The directors again recommended the payment of a final dividend of 4½ per cent. on the ordinary shares and one of 3½ per cent. on the preference shares, thus making total dividends of 7½ per cent. on the ordinary and 6½ per cent. on the preference shares for the year. A *pro rata* dividend was proposed on the ordinary shares issued in the course of the year.

The report and accounts were unanimously adopted.

sumption outside the United States continues to be satisfactory. In the U.S.A., however, sales to domestic consumers totalled only 14,500 short tons in January, compared with the very low level of 25,500 short tons in January, 1938. These sales are, of course, much smaller than the country's consumption, but during the whole of the past month consumers expected a reduction in the domestic price, which is still kept at its 1938 peak of 11.25 cents per lb. In the last few days, however, confidence in the ability of the American producers to hold this price has strengthened owing to the enforcement of restriction of production by the three major concerns.

★

Tin.—The price of tin closed £2 5s. down at £213 15s. per ton. Buying was very slack throughout the week, although tinplate operations both in Wales and the United States have improved slightly since the second half of January. The backwardation has now widened to £1 5s. per ton, and it is expected that it will widen further within the next few weeks. At any rate spot supplies are limited in spite of the recent increase in the visible supply. The prospects of the tin market are discussed in a Note on page 314.

★

Lead and Spelter.—The cash price of lead closed 3s. 9d. down at £14 5s. per ton, while that of spelter lost 5s. to close on Wednesday at £13 7s. 6d. per ton. Both markets suffered from the disappointing building trade returns and the continued high level of production. According to the "Metallgesellschaft," the world's lead smelter production outside the U.S.A. reached 1,145,702 metric tons in the first eleven months of 1938, against 1,139,371

metric tons in the same period of 1937, and the output of zinc smelter outside the U.S.A. advanced from 1,026,021 metric tons to 1,051,057 metric tons.

Grains

GROWERS in northern Argentina are reported to be selling their wheat freely to the Grain Board and storage space is rapidly filling up. The prospect of sales pressure from the Argentine and the lack of fresh buying on Indian account has brought a dull tone into the wheat market and prices are generally lower than a week ago. The Russian demand for the Far East has been shifted from Australian to American wheat, but there has been some interest in Australian grain on Chinese account. Estimates of the forthcoming Argentine maize crop continue to vary widely, and demand remains restricted; there was, however, a better trade in feeding barley, although the competition of cheap wheat and lower maize prices prevents any rise in prices.

Other Foods

Provisions.—Prices for English eggs continue to decline with the approach of the seasonal expansion in production. There was again a slow trade in fresh meat, with a tendency towards lower prices. Continental butters were dearer.

★

Colonial Produce.—Prices for home refined sugar were reduced by 1½d. per cwt. on Monday, but were later restored to their previous level, with an improved demand. The market in cocoa has been steady, with a slight improvement in Accra prices.

Miscellaneous Commodities

Fruit and Vegetables.—Larger supplies of green vegetables brought a reduction in prices, and inferior lots have been hard to sell. A good demand continues for the limited supplies of English apples.

★

Rubber.—Prices fluctuated within narrow limits during the past week, according to changes in political sentiment, but there has been only a small volume of business transacted, pending the meeting of the International Committee in a week's time. The price of standard ribbed sheet on the spot closed on Wednesday at 7½d. per lb.

★

Furs.—The favourable tendency which prevailed at the opening of the London winter fur sales last week has been well maintained. The demand continues good; some classes of skins, particularly Persian lambs, were entirely cleared, and most types showed higher clearances than at the recent sales. Prices of nearly all of the skins offered this week recorded a gain of 10 to 15 per cent. on the autumn sale in October.

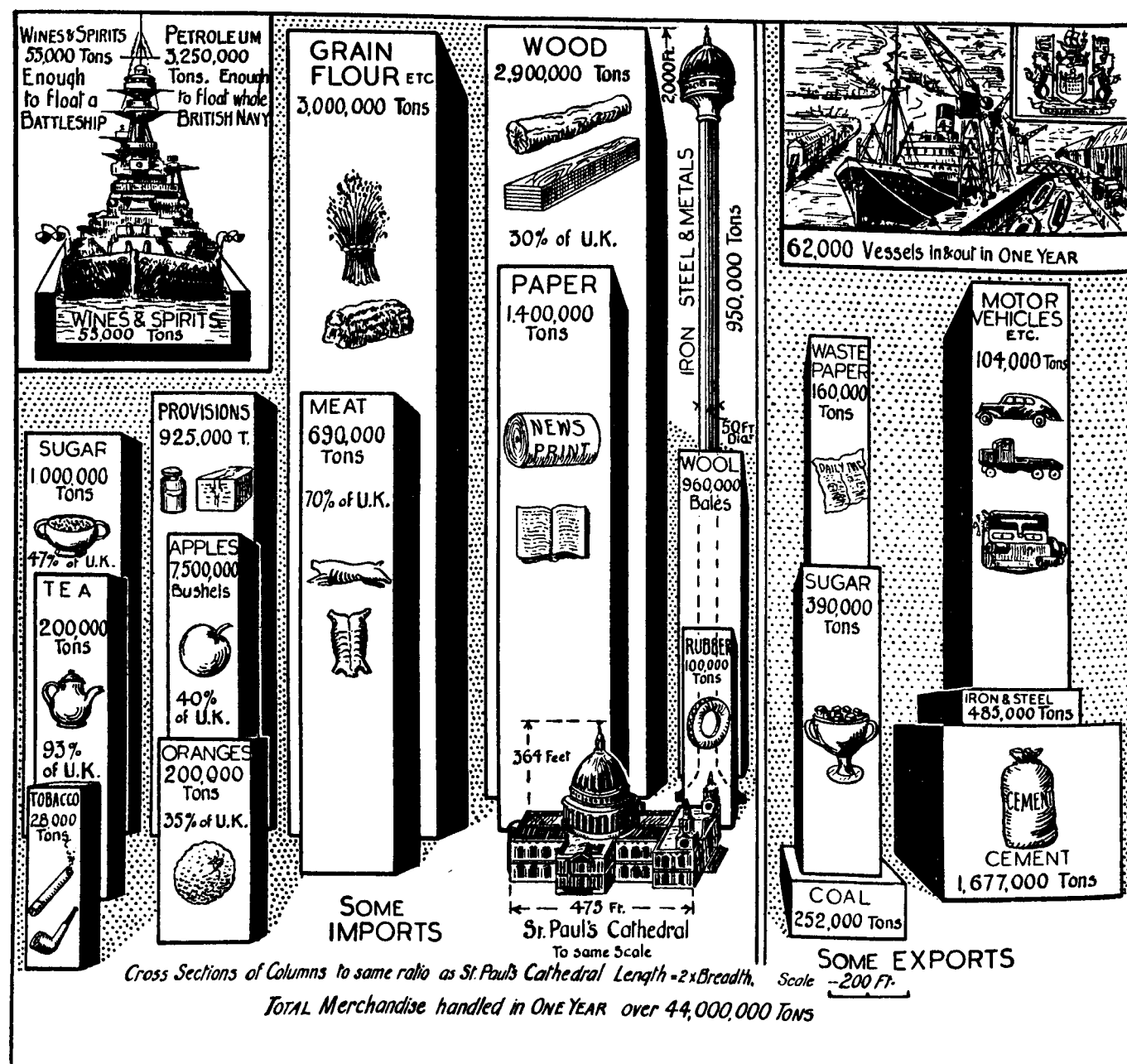
CURRENT STATISTICS

CONTENTS

					<i>Page</i>						<i>Page</i>
	<i>The Port of London</i>	...	...	...	...	318					
FINANCE							INVESTMENT				
	Government Returns	...	...	...	...	319		Transport Receipts	...	...	323
	Bank of England Returns	...	...	...	...	319		Dividend Announcements	...	...	323
	Overseas Bank Returns	...	...	...	...	320		London Active Securities and Yields	...	...	324
	Bank Clearings	...	...	...	...	321		The Week's Company Results	...	...	326
	Money Rates	...	...	...	...	321		<i>Transvaal Gold Output</i>	...	...	326
	Exchange Rates	...	...	...	...	321					
	Imports and Exports of Gold and Silver	...	...	...	...	322		INDUSTRY AND TRADE			
	<i>Monthly Statement of London Clearing Banks</i>	...	...	...	...	322					
	Oil Outputs	...	...	...	...	322		Commodity Statistics	...	...	327
								British Wholesale Prices	...	...	327

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

The Port of London



This diagram has been drawn to show, by comparison with St. Paul's Cathedral, the approximate *bulk* of goods passing through the Port of London.

Finance

GOVERNMENT RETURNS

For the week ended February 4, 1939, total ordinary revenue was £46,786,000, against ordinary expenditure of £18,010,000. Thus, excluding sinking fund allocations and Defence expenditure from loans, the deficit accrued since April 1st last is £132,320,000, against a deficit of £65,804,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Feb. 5, 1938	April 1, 1938, to Feb. 4, 1939	Week ended Feb. 5, 1938	Week ended Feb. 4, 1939
ORDINARY REVENUE					
Income Tax	\$341,150	190,798	207,406	31,771	32,590
Sur-tax.....	62,000	31,310	34,260	4,740	5,030
Estate etc., Duties	88,000	76,090	63,800	1,850	1,710
Stamps	24,000	17,850	17,060	160	130
N.D.C.....	20,000				
Other In. Rev. Duties	1,250	242	16,220	53	700
		1,050	1,100	120	100
Total I. Rev.	536,400	317,340	339,846	38,694	40,260
Customs	227,950	188,460	190,005	3,948	4,029
Excise	116,150	98,100	98,000	928	953
Total Cust. and Excise	344,100	286,560	288,005	4,876	4,982
Motor Duties P.O. (Net Receipt)	36,000	33,550	34,526	333	368
P.O. Fund., Crown Lands Rec. from Sun. Seans	8,670 2,400 1,330	12,800 25 1,190	10,720 ... 1,160	1,200	1,030
Misc. Rec. ...	5,250	5,161	5,632	67	66
	10,500	11,413	10,089	...	80
Total Ordinary Revenue	944,650	668,039	689,978	45,170	46,786
SELF-BAL. REVENUE					
Post Office and Broadcasting* ...	80,442	62,450	65,730	1,450	1,570
Total...	1,025,092	730,489	755,708	46,620	48,356

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, Feb. 5, 1938	April 1, 1938, Feb. 4, 1939	Week ended Feb. 5, 1938	Week ended Feb. 4, 1939
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	202,904	205,198	8,462	8,412
Payments to N. Ireland	8,900	6,373	7,044	428	462
Other Cons. Fund Serv.	5,239	2,864	4,551	...	6
Total...	244,139	212,141	216,793	8,890	8,880
Supply Serv.	702,409	521,702	605,505	9,646	9,130
Total Ordry. Expend. ...	946,548	733,843	822,298	18,536	18,010
Sinkg. fds. SELF-BAL. EXPEND.	...	7,359	7,740	...	...
P.O. and Broadcast- ing Votes	80,442	62,450	65,730	1,450	1,570
Total...	1026990	803,652	895,768	19,986	19,580

- * Revenue required to meet expenditure.
- † Excluding Post Office and Broadcasting and £112,900,000 unce: 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).
- || New transferred as charge against revenue.

After raising Exchequer balances by £280,039 to £2,913,758, the other operations for the week (as shown below, but excluding £6,500,000 issued under the Defence Loans Act and £6,242,000 under the Eire. Act) reduced the gross National Debt by £15,754,000 to about £8,331 millions.

WEEK'S CHANGES IN DEBT

OTHER RECEIPTS		NET REPAYMENTS, ETC.	
Tithe Act	180	Treasury Bills	12,700
Land Settlement..	11	Pub. Dept. Adv.	2,630
		N. Atl. Shipping.....	250
		P.O. and Teleg.	
		(Money) Acts.....	550
		Anglo-Turkish Cr.	40
	101		15,945

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to February 4, 1939, are shown below :—

(£ thousands)	
Ordinary Exp. ...	822,298
Eire issues	10,000
Defence Loan	
issues	41,250
Incr. in balances	550
	<u>874,098</u>
Ordinary Rev. ...	689,978
Eire receipts	10,000
Gross boiz.	181,865
Less	
Sinkg. Fds.	7,745
Net borrowing ...	<u>174,120</u>
	<u>874,098</u>

FLOATING DEBT

(£ millions)							
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets	
	Tender	Tap	Public Depts.	Bank of England			
1938							
Feb. 5	572.0	281.7	33.6	...	887.3	315.3	
Oct. 15	526	383.6	...	...	925.4	429.0	
" 22	526	379.3	41.4	...	946.7	420.7	
" 29	522.0	386.1	44.0	...	952.1	431.4	
Nov. 5	517.0	403.3	46.1	3.0	971.3	450.1	
" 12	517	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	
Dec. 3	517.0	445.4	49.5	...	1,011.9	494.9	
" 10	507.0	465.3	46.7	...	1,010.0	512.0	
" 17	500	474.2	51.5	...	1,025.5	525.7	
" 24	493.0	495.3	42.1	...	1,030.4	537.4	
" 31	488.0	497.6	45.8	5.3	1,036.7	543.4	
1939							
Jan. 7	474.0	524.5	41.0	0.7	1,040.2	565.5	
" 14	449.0	525.5	37.1	...	1,011.5	526.6	
" 21	426.0	524.1	31.3	...	987.8	517.7	
" 28	411.0	517.8	39.3	...	968.1	557.1	
Feb. 4	396.0	510.1	36.7	...	952.8	556.8	

TREASURY BILLS

		Amount (£ millions)			Average Rate %		Per Cent. Allotted at minimum Rate
Date of Tender		Offered	Applied for	Allotted			
1938							
Feb.	4	30.0	88.4	30.0	s. 0	d. 98	18
Oct.	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	72.3	35.0	10	8.78	48
Nov.	4	35.0	67.9	35.0	10	8.87	44
"	11	35.0	62.7	35.0	10	6.16	52
"	18	35.0	62.6	35.0	14	11.37	38
"	25	35.0	69.6	35.0	17	7.80	32
Dec.	2	35.0	74.8	35.0	17	11.03	18
"	9	35.0	68.8	35.0	19	2.10	52
"	16	30.0	70.6	30.0	20	0.79	27
"	23	35.0	62.9	35.0	22	0.45	44
"	30	35.0	74.1	31.0	13	8.88	37
1939							
Jan.	6	25.0	60.3	25.0	11	0.08	29
"	13	25.0	65.1	22.0	10	8.09	24
"	20	25.0	67.8	23.0	13	3.54	22
"	27	20.0	63.4	20.0	10	5.04	18
Feb.	3	20.0	67.6	20.0	10	4.76	13

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On February 3rd applications at £99 17s. 5d. per cent. for bills to be paid for on Monday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 13 per cent. and applications at higher prices in full. Applications at £99 17s. 6d. for bills to be paid for on Tuesday were accepted in full. £20·0 millions of Treasury bills are being offered on February 10th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Three weeks to :-		£
Jan. 22, 1938	2,225,254	1,668,940
Jan. 21, 1939	2,056,666	1,542,499
Week to :-		
Jan. 22, 1938	816,211	612,158
Jan. 14, 1939	706,512	529,884
Jan. 21, 1939	706,103	529,577

BANK OF ENGLAND RETURNS

FEBRUARY 8, 1939

ISSUE DEPARTMENT

£		£	
Notes issued:		Govt. Debt..	11,015,100
In Circuln..	474,997,660	Other Govt.	
In Banking		Securities...	388,587,689
Dept. ...	51,416,597	Other Secs...	60,274
		Silver Coin..	336,937
		Amt. of Fid.	
		Issue.....	400,000,000
		Gold Coin &	
		Bullion ...	126,414,257
526,414,257		526,414,257	

BANKING DEPARTMENT

Props. ^a capital	£553,000	Govt. Secs...	£77,636,164
Rest	3,604,256	Other Secs.,	
Public Depts.*	15,351,334	Discs, etc.,	20,648,864
Other Depts.:		Securities ..	22,356,857
<i>Bankers ...</i>	<i>103,949,698</i>		
<i>Other ...</i>	<i>35,490,254</i>		
	139,439,952	Notes.....	43,005,721
		Gold & Silver	51,416,597
		Coin	890,060
	172,948,542		172,948,542

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

THE WEEK'S CHANGES

(₹ thousands)				
Both Departments	Amt. Feb. 8, 1939	Compared with		
		Last Week	Last Year	
COMBINED LIABILITIES				
Note circulation	474,998	+	3,049	- 1,074
Deposits : Public	15,351	+	3,089	- 725
Bankers'	103,950	-	4,356	+ 1,043
Others.....	35,490	-	1,646	59
Total outside liabilities	629,789	+	136	- 815
Capital and rest	18,157	+	38	- 16
COMBINED ASSETS				
Govt. debt and securities	477,239	-	250	+ 184,638
Discounts and advances	20,649	-	665	+ 11,095
Other securities	22,417	+	957	+ 2,799
Silver coin in issue dept.	337	+	25	+ 326
Gold coin and bullion...	127,304	+	108	- 199,684
RESERVES				
Res. of notes & coin in banking department...	52,307	-	2,942	+ 1,391
Proportion of reserve to outside liabilities—				
(a) Bankg. dept. only ("proportion")	33.7%	-	1.3%	+ 0.8%
(b) Gold stocks to deposits and notes ("reserve ratio")	20.2%	Nil		- 31.7%

COMPARATIVE ANALYSIS
(£ millions)

	1938	1939			
	Feb. 9	Jan. 18	Jan. 25	Feb. 1	Feb. 8*
Issue Dept.:					
Notes in circ.	476·1	470·0	463·8	471·9	475·0
Notes in bank- ing dept.....	50·3	58·5	62·6	54·5	51·4
Govt. debt and securities ...	199·3	399·6	399·7	399·6	399·6
Other secas. ...	0·7	0·1	0·0	0·1	0·1
Gold	326·4	126·4	126·4	126·4	126·4
Deposits:					
Public	16·1	12·3	12·9	12·3	15·4
Bankers'	106·9	119·0	118·2	108·3	103·9
Others	35·5	36·7	36·7	37·1	35·5
Total	154·5	169·9	167·8	158·7	154·8
Bkg. Dept. Secs.:					
Government ...	93·3	85·8	82·0	77·9	77·6
Discounts, etc.	9·6	18·5	18·8	21·3	20·6
Other	18·9	23·6	21·9	21·4	22·4
Total	121·8	127·9	122·7	120·6	120·6
Banking dept. reserve.....	50·9	59·1	63·2	55·2	52·3
	%	%	%	%	%
"Proportion"	32·9	34·9	37·6	35·0	33·7
Reserve ratio†	51·9	19·9	20·1	20·2	20·2

† 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, £336,937; capital, £14,553,000; rest £3,604,256.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in *The Economist* of May 28, 1938. The latest returns of the Bank of Iran appeared in our issue of January 21st; Bulgaria, Danzig, Latvia, and Lithuania of January 28th; Argentina, Canada, Egypt, Estonia, Finland, Japan, Java, Jugoslavia, Norway, Poland, and Portugal of February 6th.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

	Jan. 1938	Nov. 1938	Dec. 1938	Jan. 1939
ASSETS				
Gold in bars	16.3	34.0	42.1	44.5
Cash	37.6	23.2	17.8	16.6
Sight funds	13.3	19.8	16.6	18.5
Bills and acceptances				
(a) Commercial bills	127.8	158.5	149.0	141.5
(b) Treasury bills	110.4	60.9	72.1	76.7
Time funds at interest	44.8	50.1	35.6	30.2
Sundry bills & invests.	298.4	246.4	261.8	272.0
Other assets	1.1	4.5	0.9	1.0
LIABILITIES				
Cap. and reserves	148.2	149.3	149.3	149.3
Long-term commitments:				
(1) Annuity trust	153.8	152.9	153.2	153.1
(2) Govt. deposits	108.5	101.5	101.8	102.0
Short and sight depts.				
(a) Central banks:				
Own account	176.9	131.3	132.4	136.3
For acct. others	3.2	1.8	1.5	1.7
(b) Other deposits	5.5	5.9	5.6	5.6
Sight deposits—gold	9.4	9.4	9.5	9.7
Miscellaneous items	44.1	45.4	42.6	43.4

U.S. FEDERAL RESERVE BANKS
Million \$'s

	Feb. 1938	Jan. 1939	Feb. 1939
RESOURCES			
Gold, on hand	10.1	12.2	9.9
and due from Treas.	9,116	11,368	11,947
Total reserves	9,564	12,294	12,398
Total cash reserves	438	418	440
Total bills discounted	11	5	7
Bills in open mkt.	1	1	1
Total bills on hand	12	5	8
Industrial advances	18	16	15
Total U.S. Govt. secs.	2,564	2,564	2,564
Secs. and Treas. bills	2,593	2,585	2,584
Total bills and sec.	12,747	15,601	15,683
LIABILITIES			
F.R. notes in circ.	4,125	4,375	4,347
Aggregate of excess m.			
bank res. over reqs.	1,410	3,440	3,480
Deposits — Member			
bank reserve account	7,205	8,956	9,047
Govt. deposits	156	873	887
Total deposits	7,395	10,289	10,403
Cap. paid in and surplus	309	311	311
Total liabilities	12,747	15,601	15,683
Reserve to depts. and			
F.R. notes	80.2%	83.8%	84.1%
U.S.F.R. BANK AND			
TREASURY COMBINED			
RESOURCES			
Monetary gold stock	12,756	14,577	14,694
Treasury and Nat. Bk.			
currency	2,661	2,805	2,817
LIABILITIES			
Money in circulation	6,306	6,716	6,663
Treasury cash and			
deposits with F.R. Bks.	3,806	3,585	3,657

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

	Feb. 1938	Jan. 1939	Feb. 1939
ASSETS			
Gold coin and bullion	10.1	12.2	9.9
Reserve with Federal	1938	1939	1939
Reserve banks	381.7	547.1	573.6
Total gold reserves	3.2	1.2	1.6
Bills in open mkt.	0.2	0.2	0.2
Total U.S. Govt. secs.	739.5	724.6	724.6
Total bills and sec.	747.4	729.9	732.2
Deposits — Member			
bank reserve account	324.2	467.0	491.2
Reserve to depts. and			
F.R. notes	85.3%	89.4%	89.9%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

	Jan. 1938	Dec. 1938	Jan. 1939	Feb. 1939
ASSETS				
Loans, total	1938	1938	1939	1939
Investments	12,196	13,269	13,110	13,150
Reserve with Federal				
Reserve banks	5,647	6,980	7,371	7,545
Due from domestic bks.	2,023	2,389	2,522	2,583
LIABILITIES				
Deposits: demand	14,487	16,129	16,050	16,124
Time	5,199	5,141	5,177	5,174
U.S. Government	654	639	632	630
Inter-bank	5,754	6,454	6,249	6,355

NATIONAL BANK OF BELGIUM
Million belgas

	Jan. 1938	Feb. 1938	Jan. 1939	Feb. 1939
ASSETS				
Gold	3,428	3,519	3,435	3,465
Silver and other coin	51	53	58	57
Foreign exchange, etc.	926	1,009	924	922
Bills and securities	577	578	564	558
Advances	43	38	33	48
LIABILITIES				
Notes in circulation	4,418	4,345	4,376	4,433
Deposits: Govt.	75	14	108	102
Other	445	754	439	424

BANK OF FRANCE.—Million francs

	Feb. 1938	Jan. 1939	Jan. 1939	Feb. 1939
ASSETS				
Gold	57,359	87,265	87,266	87,266
Bills: Commercial	9,146	9,842	10,738	10,020
Bought abroad	1,295	781	726	726
Advances on securities	3,656	3,686	3,389	3,512
Thirty-day advances	927	839	136	687
Loans to State without				
interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	19,772	20,627	20,627	20,627
Negotiable bonds				
Sinking Fund Dept.	5,640	5,530	5,475	5,470
Other assets	3,911	4,837	4,114	4,270
LIABILITIES				
Notes in circulation	85,930	111,520	109,378	111,855
Deposits: Public	2,455	5,270	5,445	4,914
Private	15,234	23,669	24,785	22,721
O. her liabilities	2,735	2,949	2,864	3,090
Gold to sight liabilities	55.3%	62.1%	62.4%	62.5%

* Revalued Nov. 17, 1938, at 27½ milligrams.

REICHSBANK
Million Reichsmarks

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 1939
ASSETS				
Gold	70.8	70.8	70.8	70.8
Of which depts. abroad	20.3	10.6	10.6	10.6
Res. in foreign currencies	5.3	5.5	5.7	5.6
Bills and cheques	551.9	824.4	660.2	716.0
Silver and other coin	173.8	116.5	254.9	193.1
Advances	65.7	44.9	36.0	52.0
Secs.: for note cover	394.7	854.5	297.7	297.8
Other assets	807.7	1504.7	1434.8	1655.0
LIABILITIES				
Notes in circulation	5199.1	8222.6	7166.4	7816.1
Other daily maturing				
obligations	851.4	1527.5	1003.5	1119.3
Other liabilities	343.5	426.2	421.7	426.5
Cover of note circulatn.	1.46%	0.93%	1.07%	0.98%

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

	Jan. 1938	Jan. 1939	Jan. 1939	Jan. 1939
ASSETS				
Gold and English stg.	16.00	16.03	16.03	16.03
Other coin, bullion, &c.	5.34	5.08	5.71	5.40
Call money, London	26.79	21.68	19.41	19.19
Secs. and Treas. bills	93.45	93.31	97.51	97.71
Discounts and advances	12.37	15.66	15.95	16.15
LIABILITIES				
Notes issued	49.53	53.03	48.03	48.03
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	93.72	86.27	88.03	87.66

NATIONAL BANK OF CZECHO-SLOVAKIA.—Million Cz. kr.

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 1939
ASSETS				
Gold	2,641	2,359	2,360	2,360
Gold against gold liab.				
foreign currency	336	336	336	336
Discounts and advances	523	1,248	1,201	1,173
LIABILITIES				
Bank notes in circulatn.	6,099	6,950	6,783	6,985
Deposits	629	656	869	386

NATIONAL BANK OF DENMARK
Million kroner

	Jan. 1938	Nov. 1938	Dec. 1938	Jan. 1939
ASSETS				
Gold coin and bullion	117.8	117.6	117.6	117.6
Foreign bills & balances	83.3	117.9	112.2	115.2
Home bills, securities				
and loans	227.3	362.6	398.9	376.1
Emergency fund	102.0	59.8	58.8	48.7
Advances to Treasury	20.7	74.6	59.5	...
LIABILITIES				
Notes in circulation	386.1	414.3	441.1	410.1
Deposits	69.0	164.6	141.7	87.4
Foreign liabilities	4.0	27.2	28.2	22.6

BANK OF GREECE.—Million drachmae

	Jan. 1938	Dec. 1938	Dec. 1938	Jan. 1939
ASSETS				
Gold and gold exchange	3,661	3,679	3,824	3,836
State sec. in for. curr.	514	521	521	112
Bills discounted	611	738	742	733
Advances	5,197	7,558	8,099	8,019
State debt	3,856	3,794	4,180	4,180
LIABILITIES				
Notes in circulation	6,600	6,924	7,239	6,850
Dep. and current accts.	6,345	9,141	9,534	9,942
Foreign exch. liabilities	171	294	261	239

NATIONAL BANK OF HUNGARY
Million pengö

	Jan. 1938	Dec. 1938	Jan. 1939	Jan. 1939
ASSETS				
Metal reserve:				
Gold coin and bullion	84.0	124.1	124.1	124.1
Foreign exchange	58.2	96.5	93.9	94.0
Int. bills, wts., & sec.	385.7	511.4	448.3	470.7
Advances to Treasury:				
Long term	117.2	191.3	193.0	193.0
Czech-Kr. exch.		76.8	76.6	76.4
LIABILITIES				
Notes in circulation	436.9	863.4	763.3	831.1
Current accounts, and				
sight liab.	219.1	195.9	224.4	179.4
Cash certificates	69.7	66.0	99.0	99.0

RESERVE BANK OF INDIA
Million rupees

	Feb. 1938	Jan. 1939	Jan. 1939	Feb. 1939
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	627	698	697	695
Balances abroad	46	13	58	68
Sterling securities	788	568	568	568
Indian Govt. rupee				
securities	274	323	323	323
Investments	62	52	63	66
LIABILITIES				
Notes in circ.: India	1,806	1,814	1,795	1,820
Burma	64	82	94	102
Deposits: Govts.	127	119	150	132
Banks	137	116	113	117
Gold and sterling to				
liabilities	57.8%	49.8%	49.8%	49.9%

NETHERLANDS BANK
Million florins

	Feb. 1938	Jan. 1939	Jan. 1939	Feb. 1939
ASSETS				
Gold	1415.8	1461.2	1461.3	1461.3
Silver	16.9	27.4	28.6	27.4
Home bills, etc.	9.0	8.4	8.2	8.1
Foreign bills	5.2	3.6	3.2	3.2
Loans and advances				
in current account	237.2	306.5	306.7	300.7
LIABILITIES				
Notes in circulation	869.4	987.9	999.4	993.1
Deposits: (a) Govt.	141.5	169.8	190.6	176.1
(b) Other	690.0	669.5	638.4	651.5

RESERVE BANK OF NEW ZEALAND
Million £N.Z.'s

	Jan. 1938	Jan. 1939	Jan. 1939	Jan. 1939
ASSETS				
Gold	2.80	2.80	2.80	2.80
Sterling exchange	16.23	4.02	4.40	4.13
Advances to State	7.72	16.73	16.96	17.26
Investments	2.91	3.60	3.60	3.63
LIABILITIES				
Bank notes	14.24	16.49	15.54	15.37
Demand liab.: State	3.53	1.99	2.79	2.62
Banks and others	10.50	7.56	8.55	8.85
Reserves to sight liab.	67.3%	26.1%	26.7%	25.8%

NATIONAL BANK OF ROMANIA
Million lei

	Dec. 1937	Nov. 1938	Dec. 1938	Dec. 1938
ASSETS				
Gold and gold exchange	16,444	18,125	18,172	18,190
Clearing and other for.				
exchange	2,423	1,166	1,292	1,465
Commercial bills	5,864	11,236	11,487	11,520
Agric. & urban advcs.	1,998	1,831	1,804	1,779
Treasury bills issued				
against losses on credits	5,087	4,898	4,888	4,889

EXCHANGE RATES—cont.

NEW YORK

New York on	Feb. 2, 1939	Feb. 3, 1939	Feb. 4, 1939	Feb. 6, 1939	Feb. 7, 1939	Feb. 8, 1939
London:—						
10 days	467 ³ / ₃₂	467 ¹ / ₃₂	467 ¹ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂
Cables	467 ¹ / ₃₂	467 ¹ / ₃₂	468 ¹ / ₃₂	468 ¹ / ₃₂	468 ¹ / ₃₂	468 ¹ / ₃₂
Demand	467 ¹ / ₃₂	467 ¹ / ₃₂	467 ¹ / ₃₂	468 ¹ / ₃₂	468 ¹ / ₃₂	468 ¹ / ₃₂
Paris, Fr.	2 64 ¹ / ₁₆	2 64 ¹ / ₁₆	2 64 ¹ / ₁₆	2 64 ¹ / ₁₆	2 64 ¹ / ₁₆	2 64 ¹ / ₁₆
Brussels, Bel.	16 89 ¹ / ₁₆	16 88 ¹ / ₁₆	16 89 ¹ / ₁₆	16 89 ¹ / ₁₆	16 90 ¹ / ₁₆	16 90 ¹ / ₁₆
Switzerland, Fr.	22 58 ¹ / ₁₆	22 58 ¹ / ₁₆	22 58 ¹ / ₁₆	22 58 ¹ / ₁₆	22 58 ¹ / ₁₆	22 58 ¹ / ₁₆
Italy, Lira	5 26 ¹ / ₁₆	5 26 ¹ / ₁₆	5 26 ¹ / ₁₆	5 26 ¹ / ₁₆	5 26 ¹ / ₁₆	5 26 ¹ / ₁₆
Berlin, Mark	40 13 ¹ / ₁₆	40 14 ¹ / ₁₆	40 14 ¹ / ₁₆	40 14 ¹ / ₁₆	40 15 ¹ / ₁₆	40 15 ¹ / ₁₆
Amsterdam, Guilder	53 84 ¹ / ₁₆	53 85 ¹ / ₁₆	53 92 ¹ / ₁₆	53 96 ¹ / ₁₆	53 94 ¹ / ₁₆	53 94 ¹ / ₁₆
Copenhagen, Kr.	20 89 ¹ / ₁₆	20 89 ¹ / ₁₆	20 90 ¹ / ₁₆	20 92 ¹ / ₁₆	20 93 ¹ / ₁₆	20 92 ¹ / ₁₆
Stockholm, Kr.	23 51 ¹ / ₁₆	23 51 ¹ / ₁₆	23 52 ¹ / ₁₆	23 55 ¹ / ₁₆	23 56 ¹ / ₁₆	23 55 ¹ / ₁₆
Athens, Dr.	24 11 ¹ / ₁₆	24 11 ¹ / ₁₆	24 12 ¹ / ₁₆	24 15 ¹ / ₁₆	24 16 ¹ / ₁₆	24 15 ¹ / ₁₆
Montreal, Can. \$	0 85 ¹ / ₁₆	0 85 ¹ / ₁₆	0 85 ¹ / ₁₆	0 85 ¹ / ₁₆	0 86 ¹ / ₁₆	0 86 ¹ / ₁₆
Oslo, Kr.	99 430	99 400	99 400	99 500	99 475	99 475
Yokohama, Yen	27 29	27 29	27 30	27 35	27 35	27 34
Shanghai, S.	16 32	16 25	16 25	16 10	16 10	16 15
B. Aires, Peso	29 02	29 03	29 04	29 07	29 08	29 07
Rio, Milreis†	5 95	5 95	5 95	5 95	5 95	5 95

Usance: T.T.

† Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended February 9, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
South Africa	21,800	...	Bombay	...	5,529
S. Rhodesia	261,725	...	Canada	75,811	4,330
British E. Africa	40,516	...	Germany	3,600	...
British Guiana	20,775	...	Netherlands	5,200	14,101
Netherlands	64,325	21,234	France	5,582	5,585
French Guiana	4,598	...	Switzerland	116,496	...
Switzerland	28,615	53,601	United States	14,029,793	...
Total*	445,392	74,835	Total*	14,426,957	29,544
SILVER					
South Africa	25	...	Eire	...	14,673
S. Rhodesia	537	...	Sweden	3,275	...
Netherlands	...	19	Norway	1,042	...
Belgium	11,662	...	Germany	42,648	...
France	45,331	106	Portugal	1,175	...
French Guiana	12	...	Italy	2,380	...
Other countries	...	575	United States	26,519	...
Total	57,567	700	Total*	78,149	15,326

* Including other countries.

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance January, 1939	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	£ 43,946	£ 1,755	£ 8,427	£ 3,135	£ 40,742	£ 9,729	£ 64,880	£ 3,210	£ 33,764	£ 35,001	£ 3,756	£ 248,345
Balances with and cheques in course of collection on other banks in Great Britain and Ireland	10,830	791	2,275	1,876	10,484	2,580	10,966	269	6,878	9,334	1,644	57,927
Items in transit	...	...	...	...	3,895	752	...	...	...	...	...	4,647
Money at call and short notice	23,617	2,237	9,409	6,086	24,183	3,878	21,389	3,490	17,315	24,191	7,221	143,016
Bills discounted	65,720	1,176	6,051	550	49,609	4,046	47,580	1,381	36,326	42,296	822	255,557
Investments	96,936	7,519	29,229	10,524	107,526	33,360	118,024	14,248	82,815	112,186	11,575	623,942
Advances to customers and other accounts	198,483	9,754	31,124	10,338	160,833	46,900	207,519	16,784	138,893	132,476	14,546	967,650
Liabilities of customers for acceptances, endorsements, etc.	15,389	654	9,496	2,975	36,610	8,145	17,407	1,142	8,358	23,949	1,903	126,028
Bank premises account	7,446	412	1,621	740	7,498	2,750	9,700	614	7,397	5,064	1,040	44,282
Investments in affiliated banks and subsidiary companies	6,998	...	...	...	3,624	...	8,954	...	2,514	2,993	...	25,083
	469,365	24,298	97,632	36,224	445,004	112,140	506,419	41,138	334,260	387,490	42,507	2,496,477
Ratio of cash to current, deposit and other accounts	10.28	8.11	10.25	10.00	10.64	10.11	14.06	8.92	10.97	10.15	9.93	11.14
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	2,976	530	9,500	3,550	12,411	1,150	8,500	9,320	900	60,587
Current, deposit and other accounts	427,368	21,644	82,184	31,359	383,077	96,265	461,442	36,001	307,923	344,889	37,829	2,229,981
Acceptances, endorsements, etc.	15,389	654	9,496	2,975	36,610	8,145	17,407	1,142	8,358	23,949	1,903	126,028
Notes in circulation	...	...	...	...	7	20	...	...	...	...	...	1,384
Reduction of bank premises account	...	...	...	...	...	...	...	...	...	...	...	300
	469,365	24,298	97,632	36,224	445,004	112,140	506,419	41,138	334,260	387,490	42,507	2,496,477

OIL OUTPUTS

Anglo-Ecuadorian Oilfields, Ltd.—Output for January, 1939, 23,765 tons.

Attock Oil Company, Ltd.—Output for January, 1939, was 81,526 barrels. Increased output is due to the new producer reported on January 10th. Output has now been restricted to suit available storage and refinery capacity.

British Controlled Oilfields, Ltd.—Total output week ended February 4, 1939: 12,961 barrels. Total output, January,

1939: 51,576 barrels. Total shipments, January, 1939: 50,265 barrels.

Tampico Oil, Ltd.—The total output from the company's properties in Mexico during the month of January was 1,543 barrels, in respect of which the royalty due to Tampico Oil, Ltd., was 116 barrels.

Trinidad Petroleum Development.—Output week ended February 4, 1939: 56,224 barrels. Output for January, 1939: 243,393 barrels. Deliveries for January,

1939, including purchased oil: 245,400 barrels.

Venezuelan Oil Concessions, Ltd.—Total output for week ended February 4, 1939: 1,234,392 barrels.

Trinidad Leaseholds, Ltd.—The figures for January, 1939, are:—Crude oil production (own fields only), 439,551 barrels; crude oil purchases (including own share of oil from jointly-operated fields), 526,486 barrels.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Feb. 5 (£'000)					Aggregate Gross Receipts 5 weeks (£'000)				
	Pass.	Merch.	Andie	Coal & Coke	Total	Pass.	Merch.	Andie	Coal & Coke	Total
L. M. & S.—										
1938	386	494	312	806	1,998	1,909	2,373	1,570	3,943	5,832
1939	375	446	316	762	1,899	1,853	2,010	1,538	3,548	5,401
L. & N.E. (a)—										
1938	256	341	291	632	880	1,285	1,646	1,416	3,062	4,347
1939	246	308	274	582	828	1,238	1,375	1,316	2,691	3,929
Great Western—										
1938	161	202	129	331	492	812	979	657	1,636	2,448
1939	152	183	115	298	450	804	863	578	1,441	2,145
Southern—										
1938	256	55	37	92	350	1,303	288	191	479	1,782
1939	253	53	38	91	344	1,288	260	186	446	1,734
Total—										
1938	1,061	1,092	769	1,861	2,922	5,309	5,286	3,834	9,120	14,429
1939	1,026	990	743	1,733	2,759	5,183	4,508	3,618	8,126	13,309

(a) Week ended Feb. 4.

CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross decrease, first half 1938, over first half 1937	— 780	— 638	— 318	— 105
Gross decrease, second half 1938, over second half 1937	— 2,423	— 1,812	— 926	— 54
Gross decrease, first half 1939, over first half 1938	— 451	— 418	— 203	— 48
Weekly Figures				
Av. weekly decrease, 1st half 1939	— 90.2	— 83.60	— 40.60	— 9.60
Latest week compared with 1938	— 55	— 60	— 42	— 6
Latest week compared with average 1927-30	— 174	— 198	— 89	— 13

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended February 3, 1939 (£'000)			Aggregate Gross Receipts 5 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1.6	0.4	2.0	8.4	2.0	10.4
1939	1.7	0.4	2.1	8.6	1.9	10.5
Great Northern—						
1938	7.9	8.6	16.5	40.1	40.3	80.4
1939	7.5	9.6	17.1	39.8	43.5	83.3
Great Southern—						
1938	27.8	37.2	65.0	138.7	213.0	351.7
1939	27.1	37.4	64.5	137.1	197.9	335.0

SUEZ CANAL RECEIPTS

(For headings see Overseas Traffic table)

	1939	1938	1937	1936
Transit Receipts	4 Jan. 31	250,600	25,500	742,800
				58,100

† 11 days.

DIVIDEND ANNOUNCEMENTS

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

Company	*Int. or †Final	Total	Pay- able	Prev. Year	Company	*Int. or †Final	Total	Pay- able	Prev. Year	Company	*Int. or †Final	Total	Pay- able	Prev. Year
RAILWAYS														
Bengal Doors	3*	Mar. 29	2 1/2*		Crossley Bldg. Prods.	7 1/2	10			Moore's Stores	a 7 1/2	a 10 1/2		
L.M.S. 4% Pref.	2	Mar. 1	4		Davies and Metcalfe	10 1/2	15		15	Mont. Co. of R. Plate	5 1/2*	9	Feb. 21	9
Do. Ord.	Nil		1 1/2		Delta Metal	3 1/2	30		\$32 1/2	New Huxford Colly.	4 1/2	7		
London Transport C	1 1/2*	Mar. 27	1 1/2*		Dickins and Jones	5 1/2	10		12 1/2	Northampton Electric	(c) 7 1/2	(c) 11		
Sthm. Rly. Pref. ord.	4 1/2	Mar. 2	5		East Worcester Water	5 1/2	10		10	Penmont Estates	4 1/2	7		7
Do. def. ord.	Nil		1 1/2		Electrolux (America)	40 cts.	Mar. 15	40 cts.		Port Said Salt		65	7	60
Industrial of Japan	6pa		6pa		English Electric	10				Quaglines		5	10	
INSURANCE														
Indemnity Marine	15 - ps	22 - ps			Fourth Conversion Inv.	2 1/2*	Mar. 15			Rly. Deb. & Gen. Tst.	3 1/2	5 1/2		5 1/2
Pearl Assurance	\$30†	\$55	\$55		Freeman, Hardy, & Co.	4 1/2	35		\$42 1/2	Rly. Share Trust, etc.	4 1/2	6 1/2		6 1/2
Prudential "A"	14 8 1/2†	19 8 1/2	19 5 1/2		General Hydraulic	6 1/2	10		11	Rawlplug	30†	40		40
Do. "B"		\$50	\$50		General Investors, etc.	6 1/2	Mar. 13	25 c.		Reid (W. B.) and Co.	6 1/2	10		
MINING														
Anglo-French Explor.		10	Feb. 20	10	Greenlees and Sons	10	10		10	Rushden Electric	5 1/2	9		9
Lower Biachi Tin		4		6 1/2	Guinness (A.) and Co.	12*		12*		Sackville Estates	3 1/2	5		4 1/2
INDUSTRIALS														
Atkinson-Oates Mtrs.	10*	Mar. 15	20*		Hampshire (F. W.)	40		40		Second Conversion Inv.	2 1/2†	Mar. 15	7	\$13*
Beatt's Brewery	20†	25	25		Heath (G. H.) & Co.	10†	15		25*	Shireoaks Colliery	(a) 5 1/2	(a) 6 1/2	Feb. 23	7
Birmingham Rly. Carr.		7 1/2	5		Houghton Main Colly.	21*	Feb. 6	25*		Southalls (Birm'ham)	\$15†	\$25		25*
Blackett Colliery	5 1/2†	8 1/2	8 1/2		International Nickel	50 c.	Mar. 31	50 c.		Tennant Brothers	2 1/2*			21*
Blakely's Boot Protectors	7 1/2*		7 1/2*		Jackson and Steeple	2 1/2		5		Tilling (Thos.)	(b) 5 1/2	(b) 10		10
Bolsover Colliery	9†	12 1/2			Johnson (R.), Clapham	33*		33*		Transvaal Mattress	4*		Mar. 15	4*
Borax Cons. (Def. Ord)		7 1/2			Kelsall and Kemp	5 1/2	7 1/2		21*	U.S. Debenture	6†	10		10
Bovril (Deferred)	3 1/2†	6		6 1/2	Lancashire Electric	15*	Feb. 28	12 1/2*		Walker (P.) & Cain (R.)	5 1/2†	7 1/2		7 1/2
British Assets Trust		10		7	Lights Motors	20		15		Wembley and Scott		25		15
British Land		7		20	Lloyd (Richard)	14	20		20	Wembley Stud. (Def.)		20		20
British Oil Shipping	5†	10		7	London Brick	5†	20		20	(a) Paid on a larger capital. (c) Includes special jubilee bonus 1 per cent.				
Cardiff Gas	3†	6		5*	London Com. Sale Rms.	4†	7 Mar. 9	9		(b) Paid on £824,000 more capital. ‡ Free of income tax.				
					London Elec. Supply	5†	8		10†	(d) Included special jubilee bonus 3 per cent.				
					McAlister & Co.	4 1/2†	7 1/2		5*					
					Merchants Trust	5†	12		12					
					Merc. Inv. & Gen. Tst.	6 1/2†	9		11					
					Meux's Brewery	5 1/2†	12		12					

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 G.N.Z. (e) Allowing for exchange. (f) Flat yield. (g) Yield worked on 4% basis. (h) Yield on 4½% basis. (i) Yield on 5% basis. (j) Yield worked on 5½% basis. (k) Yield worked on 6% basis. (l) Yield worked on 6½% basis. (m) Based on payment of 2½%. (n) To redemption at par, in year shown. (o) Yield worked at 5% of face value. (p) Yield on 2.0925% basis. (q) Yield based on 10% basis. (r) Yield worked on a 14% basis. (s) Yield based on 40% of coupon. (t) Free of Income Tax. (u) Yield based on 47% of coupon. (v) 1% paid free of income tax.

* 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.
(e) Including bonus of 5% free of tax. (f) Annas per share. (g) 8 1/2% paid free of income tax. † Free of Income Tax. (h) Yield worked on 6% basis.

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, Deprecia- tion, etc.	Balance Forward	Net Profit	Divi- dend	
					Prefce. Amount	Ordinary Amount	Rate					
Financial Land, etc.		£	£	£	£	£	%	£	£	£	%	
Electrical, etc., Investment ...	Dec. 31	33,675	28,443	62,118	13,000	10,000	10	...	39,118	27,375	10	
L.D.C. Founders' Shares ...	Jan. 31	48	3,660	3,708	...	3,667	3½†	...	41	(a)	(a)	
Power Securities Corporation	Dec. 31	16,385	95,298	111,683	25,375	40,600	7	30,000	15,708	104,811	7	
Property & Reversy. Invest.	Dec. 31	7,900	20,546	28,446	5,437	8,700	8	5,770	8,539	17,968	8	
Wharnclyffe Dwellings	Dec. 31	699	6,067	6,766	2,447	1,631	3	1,500	1,188	5,208	3	
Gas												
Cardiff Gas-Light	Dec. 31	21,267	35,446	56,713	13,746	28,204	6	...	14,763	42,886	6	
Commercial Gas	Dec. 31	2,133	76,806	78,939	3,733	79,875	4½	Dr. 4,669	...	86,353	5	
Gas Light and Coke Co.	Dec. 31	102,376	1,448,182	1,550,558	291,322	{ 107,4638	5½	} 40,000	53,598	1,388,921	{ 5½	
Ipswich Gas Light	Dec. 31	26,104	16,749	42,853	288	91,000	3½(b)		375	27,840	16,493	6½
Malton Gas	Dec. 31	6,488	2,026	8,514	...	14,350	6½		...	5,694	3,285	6½†
South Suburban Gas	Dec. 31	21,582	153,153	174,735	55,016	2,820	5½†	...	5,694	3,285	6½†	
Wandsworth and District ...	Dec. 31	28,372	189,494	217,866	101,031	92,628	6	...	27,091	148,437	6	
Woking District Gas	Dec. 31	1,682	9,709	11,391	2,114	95,980	7	Dr. 5,000	25,855	181,616	7	
Iron, Coal and Steel							11 & 7½	...	3,141	3,501	11 & 7½	
Bolsover Colliery	Dec. 31	115,918	473,377	589,295	62,500	6,136	12½	159,505	125,132	558,448	14	
Rubber												
Krian	Dec. 31	6,163	5,853	12,016	...	2,900	4	2,600	6,516	12,085	10	
Toerangie (Sumatra)	Oct. 31	18,614	28,320	46,934	...	16,076	9	10,000	20,858	36,619	17½	
Shops and Stores												
Greenlees and Sons	Dec. 31	20,426	71,572	91,998	18,750	27,000	10	27,124	19,124	72,417	10	
Textiles												
Aristoc. Ltd.	Dec. 31	28,080	73,074	101,154	7,250	43,500	30	20,000	30,404	73,638	27½	
Bairns-Wear	Dec. 14	6,115	36,968	43,083	6,085	17,128	15	10,000	9,870	42,270	15	
Barracks Fabrics Printing ...	Dec. 31	3,218	20,465	23,683	3,000	9,375	12½	7,547	3,761	25,608	18½	
Tramways and Omnibus												
Tilling (Thomas)	Dec. 31	194,400	512,196	706,596	16,500	412,000	10	100,000	178,096	456,399	10d	
Trusts												
Foreign and Colonial Invest.	Jan. 10	62,534	79,138	141,672	37,500	33,750	4½	7,500	62,922	98,815	5	
General Investors, etc.	Jan. 31	6,882	46,473	53,355	14,212	31,581	10	...	7,562	61,415	11	
Orient Trust	Dec. 31	10,210	21,821	32,031	...	18,958	5	5,000	8,073	23,000	6	
Railway Deb. and General...	Jan. 15	37,711	78,015	115,726	29,250	35,750	5½	8,600	42,126	76,997	5½	
Railway Share Trust, etc. ...	Jan. 15	44,870	108,864	153,734	49,500	39,000	6½	15,700	49,534	106,683	6½	
Scottish American Invest. ...	Dec. 31	95,243	144,736	239,979	57,684	86,944	10 & 7	...	95,351	178,882	10 & 7½	
Sterling Trust	Dec. 31	68,861	97,459	166,320	31,901	41,471	6½	22,157	70,791	104,132	7	
Waterworks												
South Staffordshire	Dec. 31	24,162	148,393	172,555	33,342	91,962	7	20,000	27,251	146,163	7	
Other Companies												
Row, Hepburn and Gale	Dec. 31	34,136	28,017	62,153	39,150	...	...	...	23,003	45,011	Nil	
Ginzano, Ltd.	Sep. 30	79,244	79,723	158,967	697	62,385	10	28,571	67,314	85,556	6(e)	
Cook, Son and Company	Dec. 31	32,545	47,056	79,601	56,875	...	...	...	22,726	74,702	1½	
Devas, Routledge and Co. ...	Dec. 31	19,444	Dr. 3,958	15,486	...	...	...	...	15,486	3,894	3	
English China Clays	Dec. 31	8,927	45,446	54,373	27,936	14,966	1	...	11,471	82,044	3½	
Fore Street Warehouse	Dec. 31	5,615	4,413	10,028	...	7,200	2	...	2,828	12,325	3	
Gray (William C.)	Dec. 31	32,485	Dr. 1,942	30,543	16,269	...	...	5,274	9,000	51,428	7½	
Jackson Bros. (Knottingley)	Dec. 31	23,733	24,185	47,918	2,827	9,928	17½	3,577	31,586	23,983	17½	
London Pavilion	Dec. 31	4,458	13,249	17,707	3,000	7,800	6	2,000	4,907	13,731	6	
Manchester Corn, etc.	Dec. 31	880	8,022	8,902	...	5,350	3	...	3,552	9,799	3	
Outram (George)	Dec. 31	51,273	82,882	134,155	...	79,408	12½	...	54,747	106,235	12½	
Redfern's Rubber Works ...	Dec. 31	14,324	30,254	44,578	9,000	14,000	17½	4,512	17,066	32,169	17½	
Sheffield Cabinet Co.	Dec. 31	897	4,841	5,738	2,844	1,450	5	800	644	17,309	15	
Super Oil Seals	Dec. 31	2,215	17,508	19,723	...	10,875	30	4,847	4,001	23,650	40	
Wembley Stadium	Dec. 31	6,028	57,747	63,775	16,625	20,000	20	18,686	8,464	51,954	20	
White (J.) Impregnable Boots	Dec. 31	6,494	40,353	46,847	7,155	15,625	12½	19,053	5,014	46,797	12½	
Total Profits, 1939, in £'000's:	No. of Cos.											
To February 4	152	8,194	16,072	24,266	2,278	10,370	...	2,504	9,114	17,599	...	
To February 11	196	9,528	20,579	30,107	3,342	13,315	...	3,075	10,375	22,340	...	

(a) No comparable figure. (b) Maximum stock. (d) Absorbed £329,600. (e) Absorbed £74,862. † Free of income tax.

TRANSVAAL GOLD OUTPUT

Statistics for January 1939 (on basis of £7 8s. 6d. 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
Anglo-American Corporation							Goldfields					
Brakpan Mines	140,000	...	256,533	144,500	112,033	...	Simmer and Jack	120,000	25,017	185,488	...	63.2
Daggafontein Mines	132,000	...	276,628	139,400	137,228	...	Robinson Deep	116,000	26,627	197,700	...	82.1
Spring Mines	154,000	...	310,887	152,323	158,564	...	Sub Nigel	61,200	41,626	310,163	...	209.1
West Springs	86,200	...	132,468	84,649	47,819	...	Vogelstruisbult	70,000	16,691	123,928	...	34.0
S. African Land and Exploration	60,800	...	126,490	77,980	48,510	...	Rietfontein Cons.	29,000	4,153	30,802	...	11.1
Central Mining—Rand Mines							Luipards Vlei	53,500	11,448	85,000	...	26.0
City Deep	112,000	22,415	166,582	...	30,288	24 4-1	Johnnies Group					
Cons. Main Reef	172,000	29,254	217,237	...	54,517	18 11-0	East Champ D'or	30,000	...	55,002	...	23.8
Crown Mines	352,000	83,157	618,084	...	260,390	20 3-9	Government Areas	206,000	...	348,725	...	168.3
Durban Roadpt. Deep	139,000	26,544	197,516	...	50,390	21 2-0	Langlaagte Estate	102,000	...	108,457	...	10.0
East Rand Prop.	221,000	46,953	348,919	...	108,059	21 9-6	New State Areas	124,000	...	254,213	...	145.1
Geldenhuis Deep	69,700	9,940	73,895	...	19,003	15 9-0	Randfontein Estates	400,000	...	441,980	...	114.1
Modderfontein B.	92,000	14,914	110,851	...	47,606	13 9-0	Van Ryn Deep	103,000	...	117,549	...	30.1
Modderfontein East	124,000	22,303	165,595	...	88,220	17 3-6	Witwatersrand	87,000	...	96,680	...	13.5
New Modderfontein	198,000	33,856	251,952	...	108,510	14 5-4	Johnnies Group Total	1,052,000	...	1,422,606	...	504.9
Nourse Mines	84,000	16,524	122,801	...	25,511	23 2-0	Union Corporation					
Rose Deep	82,000	12,687	94,306	...	18,516	18 5-8	East Geduld	150,000	43,145	320,191	116,506	203.8
General Mining							Geduld Prop.	114,000	26,507	197,668	82,813	114.4
Van Ryn Gold	63,000	...	55,877	...	5,251	16 6	Grootvlei Prop.	65,500	13,352	99,499	73,369	26.1
West Rand Cons.	195,000	...	269,391	...	110,285	16 9	Modder Deep	49,400	6,453	48,344	40,839	7.4
							Van Dyk Cons.	75,800	17,884	133,106	85,709	47.3
							Other Mines					
							Glyn's Lydenburg	9,000	2,629	19,532	...	5.2
							New Kleinfontein	75,100	14,048	104,266	72,119	32.1
							Transvaal Gold	27,000	4,250	31,535	...	4.7
							Witwatersrand Deep	50,000	7,937	58,798	49,535	9.2

Industry and Trade

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended Jan. 21, 1939	Jan. 28, 1939	1937	1938
Northumberland	305.3	297.5	14,365.5	13,437.3
Durham	684.5	660.8	33,550.5	31,533.5
Yorkshire	956.5	951.1	45,384.7	42,598.8
Lancs, Cheshire and N. Wales	360.4	362.3	17,743.3	17,040.5
Derby, Notts & Leicester	763.7	691.0	33,863.8	32,160.0
Staffs, Worcs. and Salop	428.3	420.7	20,203.2	19,586.9
South Wales & Monmouth	761.5	671.1	38,245.5	35,901.1
Other English districts*	122.1	117.3	5,564.2	5,477.0
Scotland	644.9	648.6	32,261.3	30,479.1
Total	5,027.2	4,820.4	241,182.0	228,214.2

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton				
RAW COTTON delivered to Spinners ('000 bales)				
Variety	Week ended Jan. 27, 1939	Feb. 3, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	18.3	20.0	692	534
Brazilian	5.2	6.5	181	144
Peruvian, etc.	2.8	2.6	71	56
Egyptian	4.0	8.3	184	151
Sudan Sakel	2.6	1.8	90	78
East Indian	5.4	4.1	157	185
Other countries	2.9	2.6	105	88
Total	41.2	45.9	1,480	1,236

BRITISH WHOLESALE PRICES

CEREALS AND MEAT	Feb. 1, 1939		Feb. 8, 1939	
	s. d.	s. d.	s. d.	s. d.
GRAIN, etc.—				
Wheat—				
No. 2, N. Man. 496 lb.	28 3	28 0		
Eng. Gaz. av., per cwt.	4 5	4 4		
Liv. Mar., per cental	4 9	4 8		
Flour, per 280 lb.—				
Straights, d/d London	23 6	23 6		
Manitoba, ex store	23 9	23 9		
Barley, Eng. Gaz., av. per cwt.	7 10	7 7		
Oats	6 3	6 2		
Maize, La Plata, landed, 480 lb.	28 0	27 6		
Rice, No. 2 Burma, per cwt.	7 1½	7 0		

MEAT—				
Beef, per 8 lbs.—				
English long sides	4 4	4 4		
Argentine chilled hinds	4 4	4 3		
Mutton, per 8 lb.—				
English wethers	4 8	4 4		
N.Z. frozen wethers	2 4	2 4		
Lamb, per 8 lb.—				
N.Z. frozen	4 4	4 2		
Pork, English, per 8 lb.	6 10	6 8		

BACON (per cwt.)—				
English	100 0	100 0		
Danish	96 0	96 0		
Dutch	94 0	92 0		
Irish	102 0	102 0		

HAMS (per cwt.)—				
Canadian	98 0	96 0		
United States	93 0	92 0		

OTHER FOODS

BUTTER (per cwt.)—				
Australian	119 0	119 0		
New Zealand	122 0	122 0		
Danish	138 0	150 0		

CHEESE (per cwt.)—				
Canadian	72 0	72 0		
New Zealand	74 0	74 0		
English Cheddars	86 0	86 0		
Dutch	53 0	52 6		
Gouda	60 0	60 0		

COCOA (per cwt.)				
Accra, g.f.	21 9	22 3		
Trinidad	22 9	23 0		
Grenada	29 0	29 0		
Grenada	32 0	32 0		

COFFEE (per cwt.)—				
Santos sup. c. & f.	32 6	32 6		
Costa Rica, medium to good	60 0	60 0		
Kenya, medium	75 0	75 0		

EGGS (per 120)—				
English (15-15½ lb.)	14 6	12 6		
Danish (15½ lb.)	15 0	13 0		
Danish (15½ lb.)	10 9	10 9		
Danish (15½ lb.)	11 3	11 3		

FRUIT—				
Oranges, S. African boxes	...	...		
Brazilian Rio Pera boxes	...	...		
Jaffa boxes	6 0	6 0		
Lemons, Naples boxes	12 0	9 6		
Sicilian boxes	10 0	9 6		
Apples, Amer. (var.) barrels	18 0	20 0		
Canadian: Nova Scotia (var.) barrels	27 0	30 6		
Grapes, Almeria barrels	11 3	14 0		
Grapefruit, S. African	26 0	24 0		
Jamaica	...	...		
Jaffa, Seedless	5 3	6 6		
Cyprus, seedless	8 6	8 6		
Texas (March Seedless)	10 6	...		

LARD (per cwt.)—				
Irish, finest bladders	50 0	50 0		
U.S.	56 0	58 0		
U.S.	40 0	37 6		
U.S.	42 9	40 6		

PEPPER (per lb.)—				
Black Lampung (in Bond)	0 2½	0 2½		
White Muntok (f.a.q.) (in Bond)	0 3½	0 3½		
White Muntok (f.a.q.) (Duty paid)	0 3½	0 3½		

POTATOES (per cwt.)—				
English, King Edward, Siltland	5 6	5 6		
Centrifugal, 96", prpt. shipm.	6 3	6 3		
c.f.f. U.K./Cont.	...	...		
Yellow Crystals	19 10½	19 10½		

SUGAR (per cwt.)—				
Centrifugal, 96", prpt. shipm.	6 3	6 3		
c.f.f. U.K./Cont.	...	...		
Yellow Crystals	19 10½	19 10½		

Wool (per lb.)—				
English, Southdown, greasy	12 12	11½ 12		
Lincoln hog, washed	21 21	21 21		
Queensland, scd. super comb.	11½ 12	11½ 12		
N.S.W. greasy, super comb.	11½ 12	11½ 12		
N.Z. greasy, half-bred 50-56	10 9½	10 9½		
Crossbred 40-44	25½ 25½	25½ 25½		
46's	24 24	24 24		
46's	15½ 15½	15½ 15½		
46's	15 15	15 15		

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	99 0	99 0		
Bars, Middlesbrough	245 0	245 0		
Steel rails, heavy	190 0	190 0		
Timber	20 3	20 3		

NON-FERROUS METALS (per ton)—				
Copper	42/16/3	42/10/0		
Standard cash	42/17/6	42/11/3		
Three months	43/2/6	42/16/3		
Tin	216/0/0	213/15/0		
Standard cash	216/5/0	214/5/0		
Three months	215/0/0	212/15/0		
Lead, soft foreign	14/8/9	14/5/0		
Cash	14/10/0	14/6/3		
English, pig	16/10/0	16/5/0		
Spelter, G.O.B.—				
Spot	13/12/6	13/7/6		
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	50/0/0	50/0/0		
Wolfram, Chinese	57 0	57 0		
Platinum, refined	7/10/0	7/10/0		
Quicksilver	15/12/0	15/14/0		

SUGAR (per cwt.)—cont.				
Cubes	24 0	24 0		
Crushed	22 3	22 3		
Granulated	20 1½	20 1½		
Home Grown	20 0	20 0		
TEA* (Auction Average) (per lb.)				
N. India	13-48	13-20		
S. India	13-90	13-44		
Ceylon	14-99	15-04		
Java	12-29	12-21		
Sumatra	10-61	10-53		
Africa	11-75	11-68		
Total	13-80	13-61		

TOBACCO (per lb.)—				
Virginia stemmed and un-	0 8	0 8		
stemmed, common to fine	2 6	2 6		
Rhodesian stemmed and un-	0 9	0 9		
stemmed	1 10	1 10		
Nyasaland stemmed and un-	0 7	0 7		
stemmed	1 4	1 4		
East Indian	1 0	1 0		
Unstemmed	0 5	0 5		

TEXTILES				
COTTON (per lb.)—				
Raw, Mid-American	5-07	5-14		
" Sakellaridis, F.G.F.	7-32	7-13		
" Giza, F.G.F.	7-37	7-18		
Yarns 32's Twist	8½	8½		
40's Twist	9½	9½		
60's Twist (Egyptian)	17½	17½		
Cloth, 32 in. Printers, 116 yds.	16 1	16 1		
16x16, 32's & 50's	22 6	22 6		
36 in. Shirtings, 75 yds.	9 6	9 6		
19x19, 32's & 40's	8 7	8 7		
18x16, 10 lb.	8 7	8 7		
39 in. ditto, 37½ yds.	8 7	8 7		
16x15, 8¼ lb.	8 7	8 7		

FLAX (per ton)—				
Livonian ZK	82 0	82 0		
Pernau HD	84 0	84 0		
Slanetz Medium, 1st sort	...	...		

HEMP (per ton)—				
Italian PC	70 0	70 0		
Manilla, Feb.-Apr. '72	20 0	19 0		

JUTE (per ton)—				
Native 1st mks., c.f.f. H.A.R.B.	21/12/6	23/2/6		
Feb.-Mar.	21/12/6	23/7/6		
Sisal, (per ton)—				
African, Feb.-Apr.	14 15	14 10		
Canton	17 0	16 15		

SILK (per lb.)—				
Japan	7 3	7 3		
Italian, raw, fr. Milan	8 0	...		

WOOL (per lb.)—				
English, Southdown, greasy	12 12	11½ 12		
Lincoln hog, washed	21 21	21 21		
Queensland, scd. super comb.	11½ 12	11½ 12		
N.S.W. greasy, super comb.	11½ 12	11½ 12		
N.Z. greasy, half-bred 50-56	10 9½	10 9½		
Crossbred 40-44	25½ 25½	25½ 25½		
46's	24 24	24 24		
46's	15½ 15½	15½ 15½		
46's	15 15	15 15		

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	99 0	99 0		
Bars, Middlesbrough	245 0	245 0		
Steel rails, heavy	190 0	190 0		
Timber	20 3	20 3		

NON-FERROUS METALS (per ton)—				
Copper	42/16/3	42/10/0		
Standard cash	42/17/6	42/11/3		
Three months	43/2/6	42/16/3		
Tin	216/0/0	213/15/0		
Standard cash	216/5/0	214/5/0		
Three months	215/0/0	212/15/0		
Lead, soft foreign	14/8/9	14/5/0		
Cash	14/10/0	14/6/3		
English, pig	16/10/0	16/5/0		

SPELTER, G.O.B.—				
Spot	13/12/6	13/7/6		
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	50/0/0	50/0/0		
Wolfram, Chinese	57 0	57 0		
Platinum, refined	7/10/0	7/10/0		
Quicksilver	15/12/0	15/14/0		

VEGETABLE OILS (per ton net)—				
Linseed, naked	23/0/0	23/10		
Rape, refined	31/15/0	31/15		
Cotton-seed, crude	17/10/0	18/0/0		
Coconut, crude	16/0/0	16/0/0		
Palm	13/7/6	13/0/0		
Oil Cakes, Linseed, Eng.	9/0/0	8/11		
La Plata, Feb.	10/17/6	10/17		
Calcutta, Feb.	12/11/3	12/11		
Turpentine	35 3	35		

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 2½	0 2½		
" Oxalic, net	0 6	0 6		
" Tartaric, English, less 5%	1 1½	1 1½		
Alcohol, Plain Ethyl, per proof gal.	1 1	1 1		
Ammonia, carb.	20/0/0	20/0/0		
" Sulphate	21/0/0	21/0/0		
Borax, gran.	13 6	13 6		
" powder	15 0	15 0		
Nitrate of soda	8/0/0	8/0/0		
Potash, Chlorate, net	37/0/0	37/0/0		
" Sulphate	10/15/0	10/15/0		
Soda Bicarb.	11/0/0	11/0/0		
Crystals	5/5/0	5/5/0		
Sulphate of copper	18/15/0	19/0/0		

Wolfram, Chinese	per unit	{ 57 0 53
Platinum, refined	per oz.	{ 7/10/0 7/1
Quicksilver	per 76 lb.	{ 15/12/0 15/1

these prices are for fuel oil for inland consumption—
include the Government tax.

the defence programme has now fully hit its stride. The production of aircraft has been very rapidly increased in recent months, and though some of the very large figures of production that have appeared in the Press are greatly exaggerated, it would appear to be true that the British output is now second only to that of Germany, which is being very rapidly overhauled. It has been announced that London is to have its full complement of anti-aircraft guns next month, and the production of these essential weapons of defence is now both large and increasing. The tonnage building for the Navy, as is shown in the White Paper, is considerably larger than in the pre-war years when there was a large potentially hostile fleet across the North Sea. The expansion of plans for civil defence can best be shown by the fact that expenditure on A.R.P., which will be £9½ millions in the current year, is estimated at £42 millions next year, with a further £9 millions for assistance to public utility services and for providing water facilities for emergency fire-fighting services.

All these items of progress, and others mentioned in the White Paper, are matters for genuine satisfaction, from which the Government can justly derive credit. In any well-planned programme of re-armament there is bound to be an initial period during which little appears to be happening, succeeded by another phase in which plans and programmes mature. And if the Government have had to meet a barrage of criticism during the years when the seed was being sown, they are now benefiting from the appearance of the shoots. Possibly they are deriving more benefit than they deserve, for there are many aspects of defence that are still in an unsatisfactory condition. There are, for example, many deficiencies of material. The most serious of these is perhaps in the general equipment of the Army, which has had to take third place among the fighting forces. There is a shortage of the small naval vessels needed for anti-submarine and convoying work. And the state of protection for the civil population against air attack is obviously rudimentary in relation to the needs. Further, there are in many directions grave inadequacies of planning and organisation. The reason given by the Prime Minister against the creation of a Ministry of Supply was the anxiety to minimise interference with the normal course of industry. But in many respects this deliberate restriction of planning is having the opposite effect to that intended. For example, it is understood that the extension of the electric generating plant of the country which will be necessary in peace and doubly necessary in war has been held up because there is no supreme authority to assign it a place on the list of priorities. For some essential distributive trades, a nucleus of emergency organisation has been set up; but for the majority nothing effective has been done. And in the mobilisation of brain power, many of those who have special skill or special knowledge to offer tell the same story of the maddening nonchalance with which their offers are received.

Quite clearly, it is the duty of public opinion to maintain an unrelaxed pressure on the Government to ensure that no efforts are left unmade—and the need is no less because of the greatly increased quantities in which some weapons are now coming forward.

The dominant theme of the White Paper, however, is neither these problems of organisation nor the widening stream of material, but the financial cost. In the financial year 1937-38 the total expenditure of the three defence departments was £262 millions. This year it will be about £388 millions. Next year it is expected to be £523 millions. Including expenditure on civil defence, the total bill in 1939-40 is expected to come to £580 millions. That figure is £175 millions more than the total expenditure this year and £307 millions more than the amount provided this year out of revenue. Of the total amount of borrowing originally authorised by the Defence Loans Act, only about £203 millions will remain unused on April 1st

next. The increase in the limit by a further £400 millions, to be provided by a Bill to be introduced next week, is clearly justified, as is the inclusion of civil defence among the services that can be financed in this way.

The mere increase of the borrowing limit, however, by no means solves the Budgetary problem. The total estimated expenditure of the Exchequer in the current year (omitting the self-balancing items) is about £1,080 millions when the full amount to be borrowed is added in. Until the Civil Estimates appear in a few days' time, it is impossible to say whether there will be any change in the non-defence items next year. But unemployment is higher, and there is much talk of large additional sums for agriculture; the total is unlikely to be much lower. We know, from the White Paper, that defence expenditure will be £175 millions higher, and the total ordinary expenditure for next year can hardly be put at less than £1,260 millions.

The estimated revenue for the current year is £944.7 millions. Some of the sources of revenue—the death duties, stamps, Customs and Excise—do not look like providing the estimated yields. Income tax, on the other hand, has been coming in almost fast enough to reach the estimated figure by March 31st. The actual revenue can be put at about £940 millions. Next year, some items will produce less. Income tax will be levied on the profits of companies in their financial years ending in the period April, 1938-March, 1939. The size of these profits should be indicated by the reports that have been issued since, say, the beginning of last July, and these show an average drop of about 4 per cent., which is tending to increase month by month. The average volume of trade looks like being on a lower level in 1939 than in 1938, which would affect customs receipts, while the fall in security values will diminish the yield of the death duties. It would seem conservative to suppose that the yield of taxation, on the present rates, will hardly be more than £920 millions in 1939-40. The gap between revenue and expenditure will thus be something of the order of £340 millions, as compared with about £140 millions this year.

To borrow the whole of this vast sum would be a large, but by no means an impossible task. The highest total sum raised by public issue by all borrowers combined in any one of the last fifteen years was, it is true, only £369 millions in 1928. But a substantial part of next year's borrowing could and should be raised by an expansion of the floating debt, which is now too small to serve the needs of the money market. If the Chancellor decides to borrow the whole £340 millions, it can be done. But there are indications in the White Paper that the gap between revenue on the present basis and estimated expenditure is not to be covered by borrowing alone. The increase in the borrowing limit under the Defence Loans Act makes £603 millions available in the next three financial years, and it is unlikely that the limit would not have been fixed at an even higher figure if the borrowing of as much as £340 millions in the first year was contemplated.

If, as seems probable, the Chancellor decides to raise part of the money needed by additional taxation, his decision will be a wise one. To increase the revenue to £1,000 millions—that is, by £80 millions or so—might involve too great an effort. But if it were achieved, there would still be £260 millions to be borrowed, which is certainly enough to test the resources of the capital market and provide a very considerable expansionary stimulus to the credit structure of the country. There are psychological arguments too: it is as well that we should not allow ourselves to be unmindful of the colossal economic wastes involved in the piling up of things than can never be used except for destruction.

To raise a further £80 millions by taxes would require a very great effort, as is shown by the fact that a full additional 6d. on the standard rate of income tax would produce barely £30 millions. But if the need is realised, the effort will be made.

What Would America Do?

SUPPOSING that a war were to break out among the European Great Powers in the course of 1939, what would the United States do?

Among the many large and portentous questions that confront world diplomacy to-day, none is more eagerly canvassed than this. It is by no means easy to answer. On the one hand there is a mass of evidence which confuses by its very volume, in addition to the diversity of its testimony and the very varying degrees of its credit-worthiness. On the other hand there is the ever-present danger of allowing wishful thinking to cloud objective judgment. American foreign policy, like British, is always difficult to define. Both in England and in America (but in America more than in England), a distaste for the hypothetical combines with the necessity for waiting on public opinion to make foreign policy necessarily nebulous and imprecise. But an answer to the question must be attempted if the horoscope of the immediate future is to be accurately cast.

The decision that the United States would come to in the event of war would be determined by the state of public opinion—led, so far as he can, by the President—at that time, and whatever the state of opinion might then be, it is unlikely that it would be exactly the same as it is now. The present state of American public opinion is therefore relevant to the issue only in so far as it reveals a consistent trend and permits a guess about what it would be if war were to come in the near future. Within these limits, American opinion gives an answer whose main outlines are clear enough, even though the details may be obscure. The average American citizen is increasingly hostile to the pretensions of the German-Italian-Japanese triangle and increasingly conscious of the common interests that bind him to the European democracies. But it is necessary to be wary about exaggerating the lengths to which this tendency has already gone, even though its direction is unmistakable. It is salutary to remember that the Neutrality Act is still on the Statute Book and that the President, though his dislike for the notions it enshrines has not been concealed, has not felt strong enough to press openly for its repeal.

The Neutrality Act, however, if applied to a war in which Britain and France faced Germany and Italy, would by no means prevent the democracies from drawing on American material resources. The Act would prevent them from buying actual munitions of war, and it would limit their purchases of materials to what could be paid for in cash and shipped in vessels belonging to the purchaser nations. Although the war chests and merchant marines of Britain and France are not inexhaustible, they would permit of very large purchases indeed being made in the United States—apart altogether from such help as could be obtained through the intermediary of Canada, which in many respects is exempt from American restrictive legislation.

It may be taken for granted that, whatever happens to the Neutrality Act, it will not be made stricter. The very minimum on which Britain and France can rely is thus permission to buy as many raw materials and manufactures other than actual munitions as they can obtain on a "cash and carry" basis. But is American opinion likely to remain content with this relative aloofness? The President is clearly not content—whatever the truth may be about the precise words he used in his famous secret interview with the Congressional Military Affairs Committee. He believes that American interests would be served by strengthening as much as possible the armaments of the democracies. The isolationists, however, are in outraged opposition to any such doctrine, and they are by no means poorly repre-

sented in Congress. The cries and counter-cries fill the air in Washington, and the opinion of Congress has not yet emerged. It will depend, as always, on what can be ascertained of the opinion of the people.

That, too, is confused, and its confusion was increased by the Munich Agreement. In those articulate circles in America which follow foreign affairs closely, the Munich Agreement was distinctly unpopular. Judging by their clamour, many close observers of the American scene forecast that Munich would lead to a renewed wave of disgusted isolationism in America. This view, however, was badly mistaken. In American isolationism there has always been a duality of motive: it has been believed, first, that America did not *want* to concern herself with world affairs; and, secondly, that she did not *need* to take any part. With Munich, the second (and stronger) buttress of isolationism disappeared. It was no longer possible to believe that the two democracies of Western Europe could always act as a shield between America and the dictators. For the first time the possibility dawned on the American consciousness that the consequence of standing aloof might be standing alone. A shrewd and cynical Congressman in the early days of the last war remarked that England's best tactics to ensure American help would be to lose a few battles. The lost battle of Munich had exactly the predicted effect. Another factor which has produced a significant change in American opinion since September is the pogrom in Germany, which has excited in America a truly passionate revulsion and caused many Americans for the first time to entertain for the Nazis feelings of real hostility.

There is no possibility in a brief article to rehearse the evidence for any conclusion about American opinion as a whole, still less to establish its validity. But in default of disproof by events, it would seem possible to state certain propositions with some assurance that they are correct. First, there is a very large goodwill for Britain and France as the (perhaps imperfect, but residuary) representatives of democracy, a way of life in which the average American believes with emotion and conviction. In any war of self-defence in which they were engaged, Britain and France could probably count on half the American people as their avowed partisans from the start. Second, the more courageously Britain and France appear to be defending themselves, and the heavier the odds against them, the greater will be the degree of support they will derive from America. Third, if their opponents are Germany (especially), Italy and Japan, the sympathies of the American people would be powerfully reinforced by their antipathies (which are at present the stronger emotions). And fourth—a point on which even Mr Hoover, who is currently to be counted among the isolationists, has laid emphasis—if the war involved heavy and unprovoked air raids on the cities of England and France the American reaction would be strong and violent. All these four conditions are likely to be fulfilled if war comes in 1939. It would seem to be a safe conclusion that American opinion, at the outset of such a war, would be considerably more favourable to the Anglo-French cause than it is now.

To translate these abstractions into concrete terms is an even more hazardous business. We can do no more than make a guess, based on as much information and as little wishful thinking as is possible. It would seem to be highly probable—almost certain—that in the event of war the Neutrality Act would be repealed or amended in such a way as to permit Britain and France to buy actual munitions, not merely materials. Since the term "munitions" includes military aircraft, this difference would be

important. It is less certain, but still very probable, that the Johnson Act, which prohibits borrowing by nations in default on war debts, would be repealed and that the two democracies would be allowed to raise in the American market such loans as their own credit would support. Direct loans from the United States Government would certainly not be given while the United States itself still remained at peace, and the emotions left behind by the war debt controversy are still so strong that, even after an American declaration of war, it might be very difficult to persuade Congress to make any new advances. Economic assistance in large, but not unlimited measure, would thus be forthcoming. On the political side, any degree of assistance is hypothetical, but possibly more likely in the Pacific than in the Atlantic. American opinion would unquestionably be very greatly disturbed by Japanese attacks on the Dutch East Indies or on Australia and New Zealand. It is by no means impossible—some would say likely—that America would warn the Japanese fleet to keep within its home waters. Any such action, if it were taken, would be conceived as being in America's own interests—as, indeed, would all American actions; it would be a very profound mistake to suppose that anything would be done out of affection for any foreign nation. But it would nevertheless be of the greatest assistance to Great Britain and France to have their liabilities in the Far East thus relieved.

All these are measures that the United States could—and probably would—take short of engaging in war her-

self. There is a growing belief in America that armed intervention would in the end be unavoidable. One of the more reliable of the "straw polls," which are becoming such an important factor in American public life, took, on two occasions, a sample of public opinion on the likelihood of America's being involved in war. On the first occasion, in July, 1937, only 46½ per cent. of those who thought a war likely believed that America would be involved. Last autumn the figure had risen to nearly 76 per cent. These figures may not be precisely accurate, but they are symptomatic. More than fatalism, however, is required to make a people take the supreme decision of declaring war. Perhaps the best possible guess is that America would be drawn into a long war and that the period of her neutrality would be less than the thirty-two months between August, 1914, and April, 1917. But how long it would be nobody can tell.

It has been very widely predicted that the character of the next war will be a very sharp and violent initial attack, followed (if at all) by a long-drawn struggle. In the first shock, the United States neither can nor will give the democracies any decisive assistance. They must rely on themselves alone to withstand the first brutal blows. But in the second and longer phase, the help that can already be relied upon from the other side of the Atlantic would be large and, in the end, decisive. It might well be forthcoming in such large measure as to shorten the phase of attrition by many months.

Why London?

IT is a grim picture of England that current discussion would have us scan. The plight of two million unemployed, the distresses of the export trades and the woes of farming—we have become painfully familiar with the symptoms of economic dislocation, with a country spotted with poverty in one place and prosperity in another. Yet this is by no means the whole story. The Special Areas may indeed languish while London thrives in its own bloated congestion; but there are blessings to be counted as well as disabilities, and not the least among those blessings is crazy, sprawling London itself. It is easy, in generous indignation, to say that public policy should call a halt to London's growth, and transfer to Wales, Lancashire, Tyneside and Scotland the light trades that prosper in home markets. But it is far from easy to do. Nor would it be altogether wise to try.

The fact is that there are important items to the credit side of the national account in recent economic history. Britain is not in decline, despite the distressful (and quite true) stories we hear. Not a bit of it. Between 1929 and 1937, for instance, the national income rose by as much as one-fifth, and the rate of increase in output per worker employed was possibly greater than ever before. The number of insured persons in work is now over a million more than it was in 1929. Between June, 1929, and June, 1938, the number of insured persons aged 16-64 employed in distribution and services rose by over 18 per cent., compared with an increase of only about 11 per cent. in all occupations; and there has been a specially notable expansion in the distributive trades proper, road transport, miscellaneous consumers' services, gas, water and electricity supply, motor vehicles, cycles and aircraft, and miscellaneous electrical trades. Striking headway has in fact been made in the last decade, despite the Great Depression. That headway has been most noticeable in industries serving the home market and dependent upon the maintenance of domestic purchasing power; and it has been most influential in London, the world's greatest market.

London's growth in people and occupations is, in fact, an index of the progress of the nation. The metropolis is not the villain of the tragic piece that has laid waste the Special Areas. The staple export trades of Wales and the North have shown neither the efficiency nor the adaptability, even when they have been given State assistance of various sorts, to retain their foreign customers, while the growth of industries and service occupations in London, as well as in other great cities like Birmingham, represents a remarkable adaptability to a new economic dispensation—a dispensation brought about in part, admittedly, by the British Government's own fiscal policy. Between 1931 and 1936 Greater London's population increased annually at the rate of nine per thousand compared with four per thousand in all Great Britain. The average annual rate of increase in workers insured against unemployment in London between 1933 and 1937 was over twice the rate of increase in the rest of the country. Over 85 per cent. of the new factories (employing 25 or more workpeople) set up between 1932 and 1937 were in Greater London. London's recent expansion, like that of distribution, services and consumers' goods industries elsewhere, has been clear gain to the national income. And if the expansion of London had been prevented, can we be sure it would have happened elsewhere?

On economic grounds, therefore, the State cannot lightly be called upon to play King Canute and turn back the tide that has flooded over London leaving older industrial areas high and dry. Indeed, there are dangers that interferences by the State may hinder rather than help the process of national economic adjustment that is proceeding *proprio motu*—albeit often shortsightedly and haltingly. To experiment with new light industries in Special Areas by means of trading estates is wise. To encourage groups of industrialists and business men in hard-hit regions to break out by their own initiative into new trades complementary to their declining staples is sound common sense. To stimulate them into recreating the true commercial efficiency

(and therefore the profitability) of their older enterprises, if need be by ruthless methods, is genuine statesmanship. To encourage industries, when other things are equal, or even when they are only nearly equal, to settle in the Special Areas rather than in London, and to make sure that the social costs of their settling in one place rather than the other are fully taken into account, is obvious prudence. But to administer artificial respiration to inefficient industries and, at the same time, to put new and thriving industries in prosperous places under anaesthetics would be barren folly.

Whether we look at the Special Areas at one end of the scale, or at the agglomeration we call London at the other, it behoves us to remember that what we are regarding is a complex and painful process of adjustment to changing circumstances, and that whatever policy we propose to pursue should be calculated to ease that process and not to slow it down. That is not to say, however, that an unattainable attitude of *laissez-faire* is to be desired, or that there are no strong grounds for the most forthright action on behalf of distressed people and distressed places. Nor is it to claim that, say, the growth of London is an unmixed blessing to be tolerated at all costs. Far from it: the cogent case for taking action, on grounds of good health, decent living, efficient transport and strategic safety, to guide urban development away from the present wasteful chaos has often been stated and will not brook denial. The case for ameliorating the lot of the unemployed and bringing revival to distressed areas is even more obvious. What must, however, be borne in mind is that, apart from the efforts and expenditure needed simply to alleviate distress and no more, the economic test of policy should be whether its net consequences are likely to increase the sum total of the nation's income and capital resources.

It is around London that the battle of controversy most fiercely rages, and it is here that it is perhaps hardest to remain clear-headed, because of the obvious social disadvantages which spring from the monstrosity of a city that houses one-fifth of Britain's population on one-one-hundred-and-twenty-seventh of Britain's land and calls upon a quarter of a million transport workers to move two and a half million people daily. No economic calculus can efface the undesirable consequences of life and work under metropolitan conditions, or overlook the vast cost in economic terms of maintaining London as a going concern: the London Transport Board has spent or is committed to spend £43 millions on development and reconstruction, and it plans to spend some £50 millions more; Sir Charles Bressey's plans to make the highways in and around London adequate will cost between £160 and £200 millions; the high cost of land in London has made it necessary for working-class rehousing to receive abnormally heavy subsidies from public funds. These are only a few of the items which make many sensitive and intelligent critics call, with good reason, for the decentralisation of London.

But what is too often lost sight of is that the costs of maintaining London (such as those cited above) represent only one side, the debit side, of the balance sheet. On the credit side come the services for which these payments are rendered: that is, the contribution which London, articulated, ramified and organised as it is at present, makes to the national income. To take only one mode of measurement: the Census of Production of 1935 shows that out of a net output in factory and non-factory industries valued at £1,576 millions some £386 millions, or over 24 per cent., was attributable to London, where net output per person employed was £274 against £223 in the United Kingdom as a whole; and the cash value of London's commercial, financial, insurance and shipping functions are scarcely assessable. Even if decentralisation and restriction on London's growth can be proved quite inevitable (as

indeed may very well be the case) the truth has to be squarely faced that, unless the output of its successor satellites is greatly in excess of similar towns already in existence, a price will be paid, in the shape of reduced output, for the social amenities secured.

The rôle of devil's advocate is distasteful. It is only because the case for London has been too simply identified with reaction and vested interests, while the case against has been indiscriminately equated with progress and welfare, that it is needful and timely to state it in its true context of national economy. New pages of economic history are being written, and it is the merest common sense to look at the whole of the latest chapter before passing final judgment, whether it be upon the enormity of London or the distress of Lancashire. There are almost overwhelming social grounds for curbing the Great Wen, and equally strong economic arguments for caution in the application of such a policy. That is the position.

There are, admittedly, good economic arguments to support the reformers' thesis, too. London's growth has been haphazard and unco-ordinated, unnecessarily costly and contradictory. The short-term interests of individuals have not infrequently run counter to the long-term interests, economic no less than social, of the community. Public authorities have had to pay the price in social charges of short-sighted private enterprise. Vitally important assets have been improvidently thrown away. To take one instance only: what Dr Willatts of the Land Utilisation Survey has described as "uncontrolled urban development on the limited areas of highly fertile ground" within the 2,000 square miles of Middlesex and the London region has devastated the best market gardening land in Britain. If the present rate and character of urban growth persists, there will be no rural land left in Middlesex in ten years' time. *A priori* there is no more reason for autarkically requiring that Middlesex should have its own market gardens than for laying down that Britain should draw its food from home sources rather than, more cheaply, from abroad. In fact, however, there are unchallengeable reasons of nutrition and good health why London should have available near at hand precisely the fresh vegetables and fruit threatened by the outward sprawl of aerodromes, golf courses and housing estates. London's orchards declined between 1910 and 1935 from 5,345 acres to 1,706 acres. In 1885 one-seventh of all the market gardening in England and Wales was in Middlesex. To-day, when the arable acres of Middlesex and the London region have fallen from 38,000 to about 12,000 in half a century, only astonishingly intensive cultivation has preserved the market gardeners' foothold. London is a super-attractive market for agricultural products, but the pressure on the capital's available land for urban uses drives its supply areas further and further afield to less fertile but lighter and more easily worked soils. It is Dr Willatts' view that

Far too much of the best land has been and is being wasted, and good land is a most limited asset.

The State's responsibility to supervise changes like these is inescapable. In large part it is public policy that has caused them. Moreover, only the Government can speak for the broad interests of consumers and the community; and only the Government can represent vitally important non-economic social and strategic considerations, whose cash worth is indefinable but whose value to the community may be infinitely great. The reformers' case against London, based on such considerations as these, is cast iron. Their root-and-branch plans for reform are less firmly founded. It is small wonder that the Royal Commission on the Geographical Distribution of the Industrial Population cannot make up its mind what to do about it.

* "The Land of Britain." Part 79. Middlesex and the London Region. By Dr E. C. Willatts. Land Utilisation Survey, Houghton Street, W.C.2. 304 pages. 4s.—the classic account of London's land use.

Topics of the Week

Pope Pius XI.—Achille Ratti, who reigned as Pope Pius XI from his election on February 22, 1922, till his death on February 10, 1939, has undoubtedly made a lasting mark on the world's history. What is more, he was also undoubtedly a great man. Like others of his stature, he finished one distinguished career and entered on a greater and more strenuous one at an age—sixty-one—at which lesser men are apt to ossify. Born a Milanese subject of the Habsburg Monarchy in 1857, he was old enough in 1870 to mark and remember the extinction of the Temporal Power of the Papacy by the Kingdom of Italy. He lived to see the Habsburg Monarchy disappear and to bring about, in 1929, the rehabilitation of the Temporal Power, on a miniature scale, by negotiation with an Italian Government that was now no longer Liberal but Fascist. Starting life as a scholar, Mgr. Ratti became Prefect of the Ambrosian Library in his own Milan at the age of fifty and Prefect of the Vatican Library at Rome at the age of fifty-seven, just after the outbreak of the Great War. Could he have expected, or desired, to go further? Pope Benedict XV divined his librarian's latent powers, for, before the War was over, he sent Mgr. Ratti, in April, 1918, on the morrow of the Peace of Brest-Litovsk, as Apostolic Visitor to Poland, the only large new Catholic State to emerge from the War. Thereupon the man of action burst through the scholar's shell. Within less than four years the former Vatican Librarian had become Pope, after having served, on his return from Poland, as Cardinal Archbishop of Milan.

Among the concrete acts of Pope Pius XI the outstanding achievement is the settlement of "the Roman question" with Signor Mussolini in 1929. In the Lateran Treaty of that year Italy recognised the sovereign independence of a diminutive Papal State in the Vatican City, while the Papacy recognised the Kingdom of Italy and waived its title to all but a minute fragment of the former Papal States. At the same time a Concordat between the Holy See and Italy was concluded. This Concordat brought immediate relief to millions of good Catholics who were at the same time loyal Italian citizens; but time has yet to show whether the Milanese Pontiff or the Romagnol dictator got the better of the bargain. The negotiations were interspersed and followed by aggressive encroachments of the Fascist State upon the social field of the Church's activities in Italy—and this touched the Pope to the quick, since "Catholic Action" was the apple of his eye. In 1920 it had been borne in upon the Nuncio at Warsaw that Communism was irreconcilable with Christianity. It took him longer to see—though he did see it, and proclaim it, before his death—that Communism and Fascism—cum-National-Socialism were two variants of the same form of idolatry: the worship of a human community in the place of God. Meanwhile, as Pope he had concluded not only the Treaty and Concordat of 1928 with a Fascist Italy, but also the Concordat of 1933 with a National-Socialist Germany. These bold diplomatic acts may prove to have been diplomatic errors. The greatest and most enduring deed of Pope Pius XI will probably turn out to have been his clear and uncompromising denunciation of the "totalitarian" paganism and racialism in all their manifestations.

National Service.—It will not be known until the recruitment figures are made public how successful the National Service campaign has been. It is almost certain that the success shown will be smaller than it might have been. Since the National Service Guide and the ill-starred schedule of reserved occupations were put out three weeks ago, official propaganda to urge on the laggards and stimulate those still in doubt has been disturbingly lacking. The mere existence of machinery in the National Service Committees and Ministry of Labour offices to provide informa-

tion and answer the many questions which fill most citizens' minds in no way ensures that it will be used—unless individuals are told time and again in all sorts of ways what to do. And there are still people eager to serve, especially in professional and technical occupations, who feel that, although they have rushed to register, their services are not really welcomed. The trouble is that Ministers, while wishing the voluntary mobilisation of man-power to succeed, are desperately afraid of "scare-mongering." The result is half-heartedness and a general impression that the need for recruits is not really very urgent. Only if everybody, Ministers and private citizens alike, can be convinced by ceaseless telling that the sole way to make hopes for the best come true is to prepare doggedly for the worst can Britain's example of voluntary service make its due contribution to the preservation of world peace.

Civil Defence Organisation.—It is perhaps inevitable that the shape of a vast and complicated scheme to organise civilian defences for 45 million people should not be easily discernible to anxious critics, eager for the fullest mobilisation of the people for public safety and able only to see the piecemeal parts of the Government's plans as, one by one, they come into operation. The section of last Wednesday's Defence White Paper which describes the organisation of civil defence does make it clear that a framework of co-ordination and direction has now been devised—in a remarkably short time, since central supervisory and controlling arrangements were singularly lacking as late as last October—to embody the executive responsibility of the Home Office, the Ministry of Health and Ministry of Labour, respectively, for police work, air raid precautions, first aid, ambulance and hospital services, evacuation (in conjunction with the Board of Education) and the mobilisation of man-power. Particularly important is the fact that, although local authorities have rightly been left to operate the services for which, as the peace-time allocation of ordinary administrative functions shows, they are uniquely fitted, an intermediary structure of regional supervision, linking central and local activities, has been constructed. In the Air Raid Precautions Department, for instance, in place of the original and inadequate provision of 18 regional inspectors, 38 regional officers are being provided. In the same line of development are the much discussed plan to appoint 12 regional commissioners, which is only controversial because of the ill-defined political powers which these personages are to be given in emergency; the appointment of Mr Harold Scott to co-ordinate London's A.R.P. services; the nomination of district food controllers—as far away in one case as Brussels; the misunderstood proposal to centralise the training and organisation of air-raid wardens in London under the Police Commissioner, and elsewhere under Chief Constables; and the latest scheme, part of a wider mobilisation of doctors for various kinds of war-time work, to appoint regional medical officers to supervise and co-ordinate medical services over a wider area than the county or county borough. Civil defence is compelling noteworthy experiments in the practice of government, not without morals for peace-time, and, while responsible Ministers have time and again given the impression of a wholly needless caution in introducing necessary experiments with due rapidity, they have in part at least the excuse that public opinion tends to be uncommonly suspicious of innovations—to no small extent, it must be said, because of the Government's own secrecy about their motives and intentions.

Camps for Peace and War.—Sir John Anderson's decision to provide fifty camps of timber hutments, to accommodate in all 17,500 persons at a capital cost of £1,000,000, is at once welcome and disappointing. It is welcome that the principle of dual purpose camps—the

proposal is that they should be leased by the public and non-profit-making corporations set up to erect and run them to local authorities, at a charge to cover maintenance and half their capital cost, for use as school camps in peace time—should have been approved. It is vastly disappointing that a notable chance to serve the nation's need for health and safety on a wide scale, and simultaneously, should have been so inadequately nibbled at. The proposed camps will accommodate less than 1 per cent. even of the children who would have to be evacuated in war from urban areas; and the proposal to extend them tenfold in emergency by improvised additions will hardly meet the need that would then arise for stout, weatherproof and semi-permanent residences. It is said that the seaside landladies are in revolt against the camps. Quite apart from the fact that no vested interests could be allowed either to impede the progress of public safety, or to block the provision of cheap holiday facilities for the millions of working-class families whose needs are not now met by lodging-house keepers, the landladies need have no fear. These camps are not to be holiday camps for adults; and even if they were, the scale is too small to bring any contribution to the problem of making paid holidays possible in practice. Nor will they provide an appreciable addendum to billeting in war-time. The plan is presumably experimental. There is time and opportunity yet to design the camps that might multiply public safety and at the same time, by their extent, design and ingenuity of siting, provide worth-while work for a moving army of able-bodied unemployed in enriching by their labours the contacts that have become tenuous between the mass of British citizens and their own countryside.

The Recognition of General Franco.—At its meeting on Tuesday the French Government decided in principle to recognise the Government of General Franco, and M. Léon Bérard remains at Burgos to represent France. The date for recognition is not yet fixed. Discounting the peculiarly disruptive influence of M. Bonnet, whose views have never been in doubt, the Cabinet seems to have argued on the one side that to refuse recognition would not only prolong a disastrous war, but that no good could come of it for France or the Republican Government, since the victory of General Franco was now simply a matter of time. On the other side it was contended that no recognition should be granted until it was clear that the Burgos Government really intended, and were able, to push the Italian and German troops out of Spain. It is also hoped, as in Great Britain, that the granting of recognition may lead to General Franco granting an amnesty; though on this point it may be added that those who think the French Government's action oversoon might remember that France has already taken into shelter over a quarter of a million refugees. From the French point of view the general position is, however, not uncheerful. The

recent bombing of Minorca by Italian aeroplanes and its presumed reaction on Spanish opinion, the cordial reception of M. Bérard, the visit of French Staff officers to the Spanish Pyrenees and their assurance that no fortifications were being built, the mortification evident in the Italian and German Press, and the incidental announcement of Britain's £580 millions defence expenditure, all point to a change in the balance of forces which, though scarcely perceptible as yet, is no longer out of the question. There are debts, too. At the very moment when confirmation was forthcoming of the presence of 60,000 troops in Libya, M. Bonnet has brought upon himself another wave of suspicion through the alleged action of two alleged agents, M. de Brinon and M. Baudouin, who are reported to have held private discussions with Herr von Ribbentrop and Count Ciano respectively, in order to find out behind the Ambassadors' backs just how much France is expected to give the Italians. M. Bonnet has denied the reports, but the suspicion remains, and the Socialists have decided to raise the matter in the Chamber. It is to be hoped that no skeletons will be uncovered. For the times are painful to thoughtful men; and in this struggle between the Axis and the Entente for what someone has felicitously called "the soul of General Franco," involving as it does a strain on the moral integrity of a large part of the French and British peoples, it will be calamitous if either Government loses the long view and barbers, for profound disillusion and a heavy loss of popular enthusiasm, the momentary benefits to be got from patting the *parvenu* on the back. In delaying its own action until a little more time has passed, the British Government would seem to be showing greater political wisdom than the French—to say nothing of the material issues involved.

Belgium Without a Government.—A week after M. Spaak's resignation there was still no Government in Belgium, two attempts at coalition having failed, the first by M. Henri Jaspar (who, as it happens, has since died) and the second by M. Pierlot. The Maertens affair has taken the lid off the Flemish nationalist pot, and Flemish cultural associations have signed a resolution asking for immediate cultural autonomy which would mean, in their terms, the splitting of the Ministry of Education into two halves, one Flemish and the other French. M. Maertens has the support of these associations, has published a vindication of himself, and shows no sign of withdrawing from his appointment to the Flemish Academy. There is widespread anxiety lest things get out of hand; and it is feared that a general election could only further irritate feelings which are already sore. M. Jaspar was willing to give the Flemings a measure of cultural autonomy (though nothing like as much as they wanted), but insisted that M. Maertens resign. He might have got his way had not the Socialists jibbed, apparently because the six "technicians" whom he wanted to include in a Cabinet of eleven would have had a majority

The New York Trust Company

Capital Funds \$37,500,000

COMPLETE INTERNATIONAL
BANKING FACILITIES

100 BROADWAY, NEW YORK CITY

CABLE ADDRESS: NYTRUSTCO

EUROPEAN REPRESENTATIVE'S OFFICE: 8 KING WILLIAM STREET, LONDON, E.C.4

Member of the Federal Deposit Insurance Corporation

over the Parliamentary members. M. Pierlot, in his turn, stumbled over the Liberals, who caused M. Spaak's downfall in the first place and have not relented their opposition: but there was still hope at the week-end that M. Pierlot might succeed. The sooner a Government is formed, and the sooner that it shows ability to soothe the Flemings without exciting Walloons, ex-servicemen, or any of the political parties, the better it will be for Belgium. Fortunately for the country's unity, Flemish nationalism is a patchwork of groups and programmes not all of which are mutually compatible. The vigorous Vlaamsch Nationaal Verbond, with its slogan of *Alles voor Vlaanderen*, Vlaanderen voor Christus (the Rexists, it will be remembered, have also a religious bias), finds itself in conflict with the *Verbond van Dietschen Nationaal-solidaaristen* which dreams of the realm of Charles of Burgundy, uniting 17,000,000 people in the Flemish provinces of France, Belgium and the Netherlands, together with Walloons and Frisians, etc. The improbability of these programmes has made it easy for the Government to ignore their instigators; but to have these wild ideas bandied about, as they will be until a new Government has settled down in Brussels, will not help matters.

* * *

Hungary in the Toils.—The only way of avoiding a revolution, as everyone knows, is to do it yourself. In setting out to act upon this precept last November, when his technical majority in the Hungarian Parliament collapsed, M. Imrédy might have drawn encouragement from the excellent examples which flourish in our own day; and he might, too, have taken a lesson from the fate of Kurt von Schuschnigg. If he had, he might not have fallen so soon. He began, correctly enough, by making the revolutionary programme his own—in this case it was the Hungarian Nazi programme of land-reform and anti-Semitism—followed with the foundation of a "Hungarian Life Movement," innocuously cultural and yet promising one day to be a most useful totalitarian weapon, and proposed that Parliamentary business should be speeded up by amendments to procedure. It looked as if things were going his way. The Regent and the Army were sufficiently on his side. The negotiations with Czecho-Slovakia had done him credit. The Germans could scarcely object to a leaf being taken out of their own book; and several leading Hungarian Nazis were still under lock and key. But his land-reform proposals, though in fact very moderate, stimulated the landowners to the obvious tactic of representing M. Imrédy, before it was too late, as a budding dictator imbued with a most ungentlemanly form of anti-Semitism; and they have beaten him.

* * *

In the end they cannot avoid land reform, the forces working to that end being far too profound and widely spread to be dammed by a parliamentary manoeuvre, but for the moment the Conservatives hold the field. Count Teleki, who is a member of the Upper House, has succeeded M. Imrédy with much the same Cabinet, and his job will be to convince his fellow noblemen that land reform is both necessary and unavoidable. Not of those who can retrieve lost causes by a sudden descent to the market-place, M. Imrédy retires with a tolerant smile and a well-bred legpull: one of his great grandfathers, he solemnly admits, was a Jew, and so the sinner

BRITANNIC ASSURANCE COMPANY LIMITED

(Established 1866)

Annual Income - - - - £6,700,000
Assets - - - - £31,000,000
All classes of Life, Fire, Accident,
Motor and General Insurances transacted

Chief Office: BROAD ST. CORNER, BIRMINGHAM, 1

of the fourth generation must withdraw. As in the case of the change of Government in Yugoslavia a fortnight ago, the reasons for M. Imrédy's fall are internal rather than external. Any Hungarian Government, indeed, must necessarily work under the ægis of Berlin. But M. Imrédy's successor may show several shades less alacrity in his adhesion to the Axis.

* * *

Poland and France.—The presence in Paris this week of General Wladyslaw Sikorski, a former Minister for War in the Polish Cabinet and a well-known author of military text-books, is but one of several indications that discreet efforts are now in progress to restore to the Franco-Polish alliance some of the warmth it lost during the October crisis. The ostensible reason for General Sikorski's journey to Paris is "scientific research" and "lecturing"; but the close personal relations he has always had with the military leaders of France—to the late Marshal Foch he was "*mon ami Sikorski*"—lend more than a casual importance to the visit, especially at this time. Although he has never been taken off the active list, General Sikorski, now in his fifty-eighth year, has been *persona non grata* with the leaders of Poland since the late Marshal Pilsudski seized power in May, 1926. There was at that time keen rivalry between Pilsudski and Sikorski, the latter having always been associated with the Right Opposition group known as the National Democrats and a staunch supporter of the democratic system. The fact that the General, who for years was unable to obtain a passport, has now been allowed to visit his friends in France, may indicate both a desire to use all available means to strengthen the ties between the two countries, and also a friendlier attitude on the part of the governing regime towards a political opponent with a distinguished military career whose services might prove as invaluable to the nation as they did in the Great War and in the Polish-Soviet struggle of 1920. It is hardly to be doubted that the cause of national unity in Poland, no less than the restoration of Franco-Polish relations to their former cordiality, would be greatly helped by a reconciliation between the followers of Pilsudski who now rule Poland and the man who was, at the time of the *coup d'état*, his bitterest opponent. At the same time there is a good omen for Polish-Soviet relations in the conclusion of a commercial agreement designed to increase mutual trade to a yearly value of over 150,000,000 zlotys, considerably higher, as will be seen, than of late:—

(Thousands of zlotys)

	1937	1938
	First eleven months	
Polish imports from U.S.S.R. ...	13,466	4,267
Polish exports to U.S.S.R.	9,449	1,358

The trade will mainly consist in Polish textiles and coal from the Teschen area, and a certain amount of general goods such as agricultural machinery, locomotives, and rolling stock; and in Russian hides and furs and, it is thought, certain industrial products of the Donetz region. The agreement allows for an equal exchange of goods.

* * *

Refugees.—The negotiations between Mr Rublee, then director of the London Committee of the Evian Conference for Refugees, and Reich officials, about the emigration of Germany's Jews, which seemed to break down on the dismissal of Dr Schacht from the Reichsbank, were not after all a failure. Dr Schacht's impudent plan to finance the expulsion of German Jews by means of an international loan, to be guaranteed by increases of German exports, has indeed been abandoned. In its place the Evian Committee has been presented this week with a scheme for ordered emigration spread over five years which, *faute de mieux*, represents an appreciable contribution to the solution of a problem which, although its

appearance is entirely due to the culpable and irresponsible action of a single Government, affects in greater or less degree every country in the world. The chaotic expulsion of panic-stricken people will cease. The exodus of 150,000 able-bodied men and women under 45 years of age, accompanied or, more frequently, followed by 250,000 young or aged dependants, will proceed by stages. The German Government, true to the ruthless principles which have consistently characterised Nazi anti-Jewish policy, will take no responsibility, financial or otherwise, for the emigrants after they have crossed the frontier. But they have graciously consented to levy yet another tax of 25 per cent. of what property is still left to the Jews and to devote it to assisting the unhappy outlaws to take themselves and certain of their possessions, tools and capital equipment, which they will now be magnanimously allowed to keep, to the border. The strict limitation of the fraction of the Jews' property they will be permitted to take away to 5 per cent. will be relaxed; and, most important of all, reasonable freedom from further persecution is guaranteed while the migration is proceeding, unless new "incidents" arise.

* * *

That this plan is the best that anyone could expect from Nazi Germany is an adequate measure of that country's place in world esteem. It is an advance from the pogrom period, and it is now left to more civilised countries to make the ordered exodus possible by furnishing means for ordered settlement. The pressing need is for urban rather than agricultural settlement, and Santo Domingo's offer to take 100,000 professional, business and working people, like the invitation of the Philippines to 1,000 doctors, technicians and artisans annually, is a great step forward. The United States is taking 30,000 refugees a year; Australia will select 15,000 over three years. The bogey is finance. The British Government's inability to contemplate extra charges on Imperial or Colonial funds still leaves the ultimate responsibility to private people. The keystone of the plan Mr Rublee brought home is the formation of a private international trust, with funds provided largely from Jewish sources, to organise the retreat and foot the bill for transport, equipment, maintenance and settlement. Some other countries may find it possible to be more generous than Britain, but the chances are that the world's Jews will continue to pay to the hilt for Germany's misdeeds. It is unlikely that private means can cope with even Germany's discards. It is certain that they will not be able to cater for the millions more that other European nations, imitative of Nazi ways, may seek to cast out.

* * *

Official Secrets.—The widespread contention that the special powers of interrogation conferred on the police by the Official Secrets Act of 1920 should be confined to the cases of espionage and similar serious offences against the State, for which they were originally intended, and that their restriction to these cases should not rest simply upon the verbal promises of Ministers of the Crown, has at last been accepted by the Government. The Home Secretary has drafted a Bill giving statutory effect to this most reasonable restriction of powers whose use, since in principle they are quite contrary to the traditional processes of English law, can only be justified on grounds of public safety. Ministerial pledges to restrain the powers of interrogation were unsatisfactory because in fact they were broken, and journalists, for instance, have on occasion been virtually forced to convict themselves, or third parties, in cases where no question whatsoever of military or public importance arose. The Home Secretary's Bill, which is already in the House of Lords, serves as a logical complement to the Government's earlier decision to proceed to the amendment of the more onerous aspects of the law of libel by means of a Select Committee. It is fitting, in a country of democratic ways, that Parliament and the Press should be ready and willing to exercise joint watch and ward over

the liberties whose justification is the soul of the State itself and whose foundation is vigilance. And it is encouraging, in these days, to find the executive authority actually reducing their legal powers even by the smallest and most justified fraction.

* * *

Road Improvement.—Only at first glance is the report of the Road Fund for 1937-38 at all impressive. In that year actual expenditure from the Fund was £19 millions, apportioned between reconstruction, improvements and maintenance works; and by the end of the year accumulated commitments for further ordinary and extraordinary schemes amounted to nearly £55 millions, a figure only once before exceeded. But what in fact is the relation of the Government's recent spending to the country's accepted needs? In 1935 Mr Hore-Belisha and Mr Chamberlain announced that £100 millions would be made available in five years for road works over and above the ordinary annual programme; and, since the time when this pledge played a not inconsiderable part in a subsequent election, approved development schemes valued at £89 millions have involved the Road Fund in promises to spend over £50 millions. Actually, on improvements over and above normal works, no more than £5,877,996 was spent in 1936-37 and only £6,632,315 in 1937-38, instead of the £20 millions needed annually to execute the five-year plan upon which the vital efficiency of the country's road transport, even more in war than in peace, depends. And on the long overdue modernisation of the trunk roads for which he is now responsible, the Minister of Transport spent in 1937-38 just £1,327,000. It is too late now to call for expenditure to make up the leeway which has culpably been allowed to accumulate, with annual defence expenditure nearing the £600 millions mark, but if and when an emergency does arise, in no department of defence organisation more than transport will the years that the locust hath eaten be more sorely regretted.

* * *

The Japanese in Hainan.—The Japanese have landed on the Island of Hainan ("Sea South" or "South Sea"), which is the southernmost piece of Chinese territory, and the whole island is now in their hands. Commanding, as it does, the maritime approaches both to French Indo-China and to Hongkong, this Chinese island's occupation by Japanese armed forces is a matter of grave concern to both the French and the British Governments. In itself the occupation might perhaps have no more than a strictly military objective, since the focus of Chinese resistance to Japanese aggression now lies in the south-western provinces, and the Japanese must be eager to close doors by which supplies might continue to reach Yunnan, Kweichow and Szechwan by sea. The occupation would, however, serve equally well for putting Japanese pressure upon the

SUN LIFE ASSURANCE COMPANY OF CANADA

Incorporated in Canada in 1865 as a Limited Company

**The largest Company of the
British Empire transacting
Life Assurance solely.**

Assets £170,000,000

H. O. Leach (General Manager for British Isles)
Sun of Canada House, Cockspur St., London, S.W.1

two West European Powers—whether as a move on the part of the Japanese Navy to match the Army's conquests on the mainland by maritime exploits in the South Seas or as a step in a world-wide offensive in which all three members of the Rome-Berlin-Tokyo Triangle would be acting in concert. The French Government have been prompt to protest against Japanese action which, in their view, violates the spirit, if not the letter, of a Franco-Japanese agreement of 1907, but they have so far obtained no satisfaction from the Japanese side. The official Japanese formula is that the occupation has been dictated by military necessities and that its duration must be determined by the course of military events. This is a way of keeping an absolutely free hand without admitting that the move may have an anti-Western point. Meanwhile, it has been stated in the Japanese Press that Italy and Germany were informed in advance. The French and British Governments are consulting together about the line that they are to take. To a lesser, but still appreciable, extent the Japanese occupation of Hainan is also a matter of strategic concern to the United States in respect of the Philippines, and to the Netherlands in respect of the Dutch East Indies. It is not inconceivable that these successive turns of the screw in both Eastern Asia and Western Europe may eventually force some kind of united action upon the Western democracies on both sides of the Atlantic.

* * *

The Benes Spirit.—With an ungenerosity which is no longer astonishing, the German minority organisation in Czechoslovakia has seen fit to protest against the persistence in the country of "Benés elements"—or in other words against any possible manifestation of Czech national consciousness. Herr Kundt, who heads that organisation, is finding himself up against that dour and silent determination which the Austrians encountered and which, in the end, outlasted the Austrians. Industrial reports show that the Czechs had lost none of their old spirit. The effect of the Anglo-American Trade Treaty was to damage Sudeten textile exports to the great benefit of the Czech product, and in Brno, for instance, the textile industry is virtually without unemployment. The arms industry is persevering with its efforts to change over to civilian production: the home market for arms has disappeared and not yet been replaced by German demand, and foreign contracts are also reported as having dropped out, notably the large Chinese contract which was stopped presumably by German intervention. The machinery industry is making some measure of recovery, and the Bruenner Maschinen Fabrik, reported to have a German on the board, has recently secured a contract with Russia worth about fifty million crowns. The administrative system is settling down, though the details are not yet all filled in. Last Sunday's elections in Ruthenia produced an overwhelming majority for the Government list, but, in view of the fact that there were no other candidates, this is scarcely surprising. Communications with Czechoslovakia's third province are confined to a motor-bus ride of about one hundred miles over a bad road from Preshov in Slovakia, and unless the German Government cares to advance money for a motor road, this is likely to remain a permanent condition. The Czechs have more important business to attend to.

* * *

Mr Gandhi and the Indian States.—The setback to Mr Gandhi and the Right Wing of the Indian National Congress through the election of Mr Bose to the Congress presidency has been followed by a growingly virulent campaign, led by Mr Gandhi himself, for political reforms in the princely states. A causal sequence is suggested, in that this may be an attempt to restore the Mahatma's leadership and at the same time to consolidate the Congress anew on an issue that does not divide Left and Right. It has a further bearing on the position of Mr Bose, who vaunts the policy of refusing federation at any price; for an essential part of the price asked by the Right Wing

was such elective representation of the states in the Federal Legislature as would give the Congress the chance of power. Mr Gandhi now makes two specific demands: that the Viceroy should intervene on behalf of the Congress cause in Jaipur and Rajkot, two states in which political agitation has recently caused rioting, civil disobedience, and a ban on certain Congress leaders; and that provincial Ministries should concern themselves with the affairs of states within their areas, and should presumably resign if these affairs do not go satisfactorily for the Congress. The British Government's policy, plainly expressed last December, is that the Paramount Power will not interfere with any political reforms which the rulers may care to make, but will not be responsible for initiating them. One reaction to all this agitation is growing resentment, especially among Muslims, at the Congress's assumption that it alone is entitled to speak for the people of India. To the Muslim League, the dominance of the Congress spells the "Hindu raj" which it exists to combat. The communal riots of the past week in Cawnpore are therefore part of the same picture, to be summed up as a struggle for coming democratic power.

* * *

Trouble in Burma.—The recent outbreak of disorder in Rangoon is bound to arouse considerable anxiety; for it is barely four months since the rioting in Burma which began last July and caused no fewer than 220 deaths was at last suppressed. The official committee of inquiry into the riots has yet to produce its final report. Its interim findings confirmed the general view that the incident precipitating the disorder—the re-publication of an anti-Buddhist tract—was only the superficial occasion, and that the real causes lay deeper. The committee found them to reside in the unsatisfactory conditions of land tenure, the competition of Indian immigrants, the marriage of Burmese women to foreigners, particularly Indians, and the influence of the Press and political organisations. In an address to the Legislature last week, the Governor of Burma rebuked the Press for its licence in agitation and the Legislature for its inadequate sense of responsibility for remedying genuine grievances and upholding law and order. There is, indeed, some justification for a charge of weakness against the Burmese Ministry, fearful as it has been of overthrow by a Legislature that has yet to learn the lesson of political responsibility. Burmese tempers are hot, and anti-Indian feeling grows more bitter as political consciousness spreads; the nationalist agitation has hitherto been primarily anti-Indian and only secondarily anti-European. Whether foreign propaganda has played its part is not clear, but Burma, with its traditional anti-Chinese feeling added to the ferment of nationalism, might be fertile ground for influences from the Far East.

* * *

Supplementary Estimates for the Army.—The first of the Supplementary Defence Estimates mentioned in the Defence White Paper were published on Thursday. Formally, each of these Estimates—one for the Army and one for the Royal Ordnance Factories—imposes a charge of only £100 on the Budget, but this is because virtually all the additional expenditure is to be met out of Defence Loans. The gross additional total required for the Army is £8,025,000. Appropriations-in-aid other than Defence Loans (chiefly a contribution from the Colonial Office for expenditure in Palestine) provide £1,855,000, leaving £6,169,900 to come from borrowing. The additional expenditure is due to (i) the improvements in pay and conditions announced last March; (ii) the acceleration of the Defence programme; (iii) the emergency measures of last September, and (iv) Palestine. The Royal Ordnance Factories require £3,914,700 more, of which £2,983,900 will be borrowed, £930,700 will be found out of other votes and the odd £100 left to serve as the vehicle for Parliamentary approval.

Overseas Correspondence

From Our Special Correspondents

United States

Business and Building

NEW YORK, February 6.—The decline in production in December, compared with November, although perceptible, was slightly less than the usual seasonal fall.

BUSINESS INDICES (1923-25 = 100; adjusted for seasonal movements)			
	Dec., 1937	Nov., 1938	Dec.,* 1938
Industrial production (total)	84	103	104
Manufactures (total)	79	103	103
Durable	60	95	92
Non-durable	95	110	113
Minerals	115	102	108
Construction contracts (total) ...	61	96	98
Residential	30	56	57
All other	87	128	132
Factory employment (total)	95.1	90.0	91.4
Durable goods	91.9	81.4	83.3
Non-durable goods	98.1	98.2	99.3
Factory payrolls (total)	84.2	84.1	86.6
Durable goods	81.0	78.3	80.6
Non-durable goods	87.7	90.5	93.3
Freight-car loadings (total)	67	69	69
Miscellaneous	69	74	74
Department store sales	89	89	89
Department store stocks	72	67	66

* Preliminary.

The greatest change is in building. December, 1938, showed an increase over December, 1937, of 100 per cent. in residential building contracts and nearly 100 per cent. in non-residential building. As a result, the adjusted index of building contracts was 98 per cent. of the base period, which represented a recognised building boom. This figure, however, represents a large seasonal adjustment (the unadjusted index is 79); and marks, too, the rush to conclude contracts carrying a Federal subsidy before the end of the calendar year, as provided by legislation. The December index is, therefore, far from an index of current building activity—it is rather a forecast of building activity in the late spring or early summer.

The index of production in December, 1938, at 104, is identical with the figure for June, 1936. For that reason it is worth while to compare the indices for these two months to note changes in the distribution of business activity.

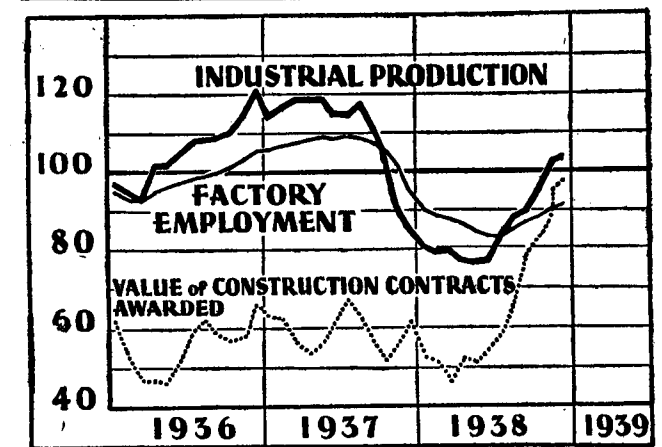
BUSINESS INDICES (1923-25 = 100; adjusted for seasonal movements)		
	June, 1936	Dec., 1938
Industrial production (total)	104	104
Manufactures	105	103
Minerals	100	108
Construction contracts (total)	52	98
Residential	36	57
Non-residential	65	132
Factory employment	97	91.4
Factory payrolls	84	86.6
Freight-car loadings	73	69
Department store sales	87	89

Building is playing a much larger part in the current cycle—contracts having approximately doubled. Changes in the relation of factory employment and payrolls to the index of manufactures is also marked. Fewer persons are employed at higher wages to produce approximately the same amount of goods.

The Balance of Trade

The merchandise trade figures for December, 1938, showed exports valued at \$269 millions, and a net export surplus of \$97 millions, which was more than balanced by net gold imports of \$241 millions and net silver imports of \$20 millions. The export surplus in merchandise trade for the

whole year amounted to \$1,334 millions, compared with \$265 millions in 1937 and \$33 millions in 1936. This active balance was the largest since 1921. The value of exports for



the year (\$3,095 millions) was about 10 per cent. below the 1937 figure (\$3,349 millions), but, 1937 apart, it was the largest for any year since 1930 (\$3,843 millions), and substantially larger than 1913 (\$2,484 millions). The value of imports in 1938 (\$1,961 millions) was almost 30 per cent. below the 1937 figure (\$3,084 millions); and, except for 1932, 1933, 1934, it was the smallest for any year since 1915 (\$1,779 millions). The international implications of the shift in our merchandise balance represent a world economic phenomenon of the first order.

VISIBLE BALANCE OF THE U.S. IN 1938
(\$'000,000)

	Mer- chandise Exports	Mer- chandise Imports	Mer- chandise Export Surplus	Net Gold and Silver Imports	Net Balance (+ = Export Surplus; - = Import Surplus)
January	289	171	118	30	+ 88
February	262	163	99	23	+ 76
March	275	173	102	67	+ 35
April	274	160	115	87	+ 28
May	257	148	109	71	+ 38
June	233	146	87	74	+ 13
July	228	141	87	82	+ 5
August	231	166	65	171	-106
September ...	246	168	79	544	-465
October	278	178	100	586	-486
November ...	252	176	76	202	-126
December ...	269	171	97	261	-164
	3,094	1,961	1,134	2,197	-1,064

The import surplus (merchandise + gold and silver) is smaller than in 1937, when merchandise trade showed an export surplus of \$265 millions against gold and silver imports of \$1,673 millions, making a net visible active balance of \$1,408 millions; in 1936 this balance was \$1,266 millions. The difference is partly, at least, to be found in the flow of capital funds.

The NATIONAL BANK of NEW ZEALAND, Limited

Established 1872

Head Office :—8 MOORGATE, E.C.2

Subscribed Capital - £6,000,000
Paid-up Capital - £2,000,000
Reserve Fund - £1,000,000
Currency Reserve - £500,000

The Bank has branches throughout New Zealand and conducts every description of Banking business with that Dominion.

Business Prospects

In the month of January the share average fell about 10 per cent. Should this be ascribed to a change in the business outlook, or to other factors? While the January business data are not completely available, such as are at hand show almost no change from December, or, for that matter, from November. Indeed, many persons were expecting something in the nature of a perceptible setback, and this did not appear. The main question, however, is of the prospects for the spring.

With the index of production in the vicinity of 100, our economy is not acutely depressed, but it is far from prosperous. Inability to advance to a higher level in the spring would be seriously disappointing. The business record of January is quite non-committal; and, on the whole, it appears that the cause of the decline in the share market should be sought elsewhere. The reason most commonly given is that it was a "sympathetic" decline associated with the same forces that depressed the British market at the same time.

If our recovery is to be extended to the prosperity level, the resumption of a flow of capital into enterprise is required. One school of thought holds definitely to the view that never again will American enterprise be capable of employing the savings of economy. The historically heavy demand for capital by enterprise is attributed (a) to the expansion of the frontier; (b) to subsequent industrialisation; and (c) to the former rapid growth of population—about four times its present rate of increase. This group holds that the future demand for capital will mostly come from the State, when new capital issues will be principally those of the Treasury, plus the refunding issues of the most substantial corporations (comparatively few in number) into which our economy has crystallised or is crystallising.

The opposing view is almost diametrically different. The population is still increasing, although slowly. For seven or eight years, the investment in American enterprise has not equalled its estimated depreciation, and consequently an enormous amount of capital would be required merely to restore it to the *per capita* level of the mid-twenties. Further, just as the physical investment per industrial worker is to-day much greater than it was a century or even a generation ago, so the possibility of further improving the tools at the disposal of the worker is infinite; and such investment would improve the quality and cheapen the cost of the product as well as reduce drudgery, etc.

Between these two extreme groups there is a third. This group maintains that the American enterprise is actually being deflated by the inaccessibility of capital. Some argue that the deterrent to investment in enterprise is the very extension of the demand of the State for capital. Others emphasise the apparent shrinkage of profit margins and affirm that the capital demand of industry will remain hypothetical as long as industry is unable to give evidence of a capacity to pay for the use of capital a more satisfactory average return than it has yielded over the past decade. We have a capital market which will subscribe apparently unlimited sums to a large and increasing public debt at unprecedentedly low yields; which will take very limited amounts of new corporate offerings, also at very low yields; but which is able or willing to entrust to enterprise only a fraction of the sums formerly available.

For this reason, great interest attaches to any steps pointing in the direction of giving the utility and railroad industries greater access to new capital. Developments con-

strued as favourable to the wider opening of the capital markets to these two industries would have a direct bearing on the general problem, and might be a dominant factor in determining development in the spring.

France

A Slow Convalescence

PARIS, February 16.—Gold movements and the course of prices are the two main criteria by which the situation in France is to be judged. Gold continues to return, slowly but steadily. Since the end of November the franc has been steady *vis à vis* the £, and the latest statements of the Minister of Finance suggest that the 20,000 million francs of gold lost between May and September, 1938, have now been recovered. This repatriation of capital eases the monetary market, and subscriptions to short-term bonds are plentiful, largely covering the needs of the Treasury. Technical measures have just been decided upon which appear to be preparations for an eventual funding operation. The credit of the State has changed appreciably for the better.

Prices, too, are not moving unfavourably. They are still rising, but the advance is bearable. If the natural effects of a hard winter and increased taxation are taken into account, recent price movements seem quite natural. Comparison with foreign prices is encouraging. But the situation is not quite so promising as might appear. It seems that any undue rise in prices is checked more by stationary purchasing power than by the increase in production, which has in fact been rather disappointing.

New efforts are being made by the Government to stimulate business. M. Reynaud, for instance, has announced that, since capital is returning and being reinvested in industry (bond issues in December showed a brisk recovery to 338 million francs, against practically *nil* in previous months), a reasonable expansion of credit might be envisaged by the Government and would soon occur. In addition, a new decree is designed to speed up the renovation of industrial machinery by authorising industrialists to deduct from their annual profits, for the assessment of taxes, the difference between the old and the new cost price of machinery. Such measures of fiscal relief, combined with the lowering of interest rates and a complete return of social peace, might yield significant results, if the international atmosphere were not still so cloudy.

Strenuous efforts are also being made to promote foreign trade. Negotiations are actively in progress with Central European countries, such as Roumania and Czechoslovakia. A new commercial agreement has already been made with Hungary and Yugoslavia. Negotiations with Germany, to exchange iron ore for coal and to sell France's surplus wheat, appear to be progressing favourably.

Production and Prices

The Statistique Générale has just published its monthly figures of production and prices:—

	Dec. 1937	Oct. 1938	Nov. 1938	Dec. 1938
PRODUCTION (1928 = 100)				
General Index	91	81*	86*	...
I. Mines	99	93	97	96
II. Chemical industries...	107	94	103	104
III. Paper	183	157	168	173
IV. Textiles	91	82	86	87
V. Leather	70	...	...	...
VI. Iron and steel	87	66	73	74
VII. { Engineering	92	72	78	81
Automobiles	87	99	103	106
VIII. Building	58	62	62	61
IX. Gas and electricity ...	130	124	125	...
X. Miscellaneous	115	104	110	...

* Preliminary index.

Output figures for the cotton industry are as follows:—

	Sept. 1938	Oct. 1938	Nov. 1938	Dec. 1938
Spinning (average per spindle in kilograms):—				
Production	1,846	1,917	2,040	2,189
Deliveries	1,968	1,917	2,092	2,254
Stocks	2,114	2,168	2,136	2,098
Unfulfilled orders	5,612	6,427	6,842	6,821

Weaving (average per loom in pieces of 100 metres):—

	4-53	4-53	4-69	5-19
Production	4-53	4-67	4-69	5-29
Deliveries	4-47	4-67	4-69	5-29
Stocks	8-72	8-34	8-46	8-41
Unfulfilled orders	15-30	16-17	17-64	17-93

The slight rise in prices is still perceptible:—

	Jan. 1938	Nov. 1938	Dec. 1938	Jan. 1939	Feb. 11th
WHOLESALE PRICES (1914 = 100)					
General Index	612	658	666	676	679
Domestic products	653	678	692	705	704
Imported products	537	623	620	624	635
Foodstuffs	620	637	648	656	654
Industrial products	605	678	682	693	701
Retail prices	693	739	754	761	...
Lighting and heating	100-0	123-4	127-6	102-0	...
(1914 = 100)					
Clothing (1930 = 100)	113-5	102-0	102-0	115-9	...

The number of bankruptcies in January was 381, against 468 in December and 455 in November.

Unemployment, Production and Prices

The greatest unemployment is in Paris and the Département de la Seine, which frequently account for one-half of the national total: they had 203,000 workless in February last out of a total of 421,000. The total number of persons unemployed last week was 419,654, out of which about 100,000 were women, against 415,987 in the previous week and 406,050 a year ago. This figure would be considerably reduced if old-age pensions were to pass into law, though the saving on unemployment relief would be largely swallowed up by the increase in the number of pensioners. The Pensions Bill which will probably come before the Chamber this week anticipates that the cost of pensions will be covered by savings secured by a reform of the social insurance system. Many experts fear, however, that the lessons of the expensive experience of the pensions which were given to veteran soldiers have been overlooked in drawing up the new scheme.

Germany

Campaign for Exports

BERLIN, February 13.—The authorities are using all means in their power to perfect measures to further German exports, especially since Herr Hitler, in his Reichstag speech, coined the battle cry of "export or die." Attempts have been made to solve the problem of labour shortage; workers have been transferred from industries, such as the textile trades, which are not fully employed. Industrial capacity and raw materials are being mainly reserved for export purposes, once the demands of the armament industries have been satisfied. Domestic needs have to undergo radical restrictions. The net effect of these measures is expected to be a considerable curtailment of delivery periods in export contracts.

The transport system, moreover, which is now heavily overburdened and to some extent disorganised, is to be rationalised and pressed into the service of exports. Actually, however, measures to remove the psychological barriers which hinder an increased buying of German goods abroad are lacking. Instead of a change in foreign policy, and a cessation of intensive Nazi propaganda in certain countries, an attempt is being made to intimidate creditor nations by declaring that, unless increased exports are forthcoming, Germany will not be able to keep her transfer promises. This argument should scarcely prove very successful, because, in fact, the Third Reich has financed a considerable share of her armaments at the cost of foreign creditors.

As part of the export drive, the Reichsbank, now a State organ, has effected certain financial relaxations. The strict foreign exchange laws, and the usually considerable waiting periods during clearing transactions with other countries have led to higher costs and greater risks, which in turn have increased expenses and hampered exports. Amendments in the Reichsbank's procedure have lessened these disadvantages, and insurance against exchange, manufacturing and war risks has been merged in the export credit system. The intensified activities of the Golddiskontbank in the financing of exports may take the form of higher levies to help exports—such as an international understanding. This would mean, in effect, increased dumping.

The recent establishment by Egypt of a quota system for imports of cotton goods met with much approval in Ger-

many. Germany can now export more cotton goods to Egypt and buy more raw cotton from Egypt—just when the need for raw textile materials is most acute. The Egyptian Chamber of Commerce for Germany advises German firms to export mainly printed crepe, lainette, cotton prints, etc. In any event, the German firms must expect competition from England, and to some extent also from Hungary and Italy; and Germany will also export poplin, shirts, pyjamas, woolen hangings, materials for decoration and furniture and artificial silk thread.

The Anglo-German industrial negotiations are to be resumed next month. It is understood that the negotiations between the Federation of British Industries and the Reichsgruppe Industrie will take only a few days, but that the subsequent discussions in detail between the separate representatives of the various industrial groups will present greater difficulties. The conditions for a commercial understanding with England have recently been impaired. There is considerable indignation about England's offers of credit to Nationalist Spain and Roumania. These credits are regarded as dangerous to Germany's trade relations, especially since the Reich cannot compete with them. For the same reasons there is noticeable ill-humour about the Cabinet changes in Yugoslavia, where Germany has now lost her chief supporter in M. Stojadinovich.

Trade Agreement with Italy

The German-Italian trade discussions in Rome have been concluded. In addition to a price agreement (see *The Economist* of February 11th) an arrangement about tourist traffic has been arrived at whereby Germany will facilitate tours to Italy. In 1939 German exports to Italy will be increased by about 25 per cent. Last year Germany brought from Italy goods to the value of Rm. 245.6 millions, and exported goods to the value of Rm. 301 millions. According to the new agreements German exports to Italy in 1939 should amount to about Rm. 375 millions. The increase in exports will consist mainly of machinery, scientific instruments, electro-technical and chemical products, coal, etc.

Total savings reached the sum of Rm. 23,945 millions at the end of 1938, against only Rm. 15,600 millions in 1932.

THE CANADA LIFE Assurance Company

OUTSTANDING FEATURES FROM THE 1938 REPORT

Total Business in Force (Gross) - £171,705,600

New Business	The net new business completed, after deduction of re-assurance, amounted to -	11,382,000
Receipts	The Company's income was -	7,939,900
Payments	Total Payments to Policyholders -	5,063,400
Assets	The assets increased by £1,347,000 to -	54,635,800
	and include special reserves and undivided surplus totalling -	2,378,200

Write for particulars of all Life Assurance Policies, Pension Bonds, etc., to

THE CANADA LIFE Assurance Company

(Incorporated in Canada as a Limited Liability Company)

ESTABLISHED 1847

W. P. BRAUND, Manager

2 ST. JAMES'S SQUARE, LONDON, S.W.1

NATIONAL BANK OF GREECE

Established in 1841

Head Office: Athens

Branches and Agencies throughout Greece

Affiliated Bank:

HELLENIC BANK TRUST COMPANY
139 William Street, NEW YORK

Capital paid up and Reserves Drs. 1,205,000,000

Compared with 1913, the last pre-war year, the present savings total is some Rm. 4,000 millions higher.

(In Rm. millions)				
	1935	1936	1937	1938
Savings banks	13,819.5	14,614.9	16,065.9	18,010.0
Co-operative societies	2,872.6	3,066.8	3,350.7	3,790.0
Credit banks	1,097.8	1,217.4	1,428.0	1,745.0
Building societies	316.3	344.0	362.1	375.0
Factory savings banks....	169.0	105.0	65.0	25.0
Total	18,275.2	19,348.1	21,271.7	23,945.0

From April to December, 1938, the Reich's receipts from taxes and duties totalled Rm. 13,021.5 millions, against Rm. 10,478.3 millions and Rm. 8,584.6 millions, respectively, during the same months of the two preceding years. The increase in tax receipts is due mainly to an increase in the rates of corporation tax, to the annexation of Austria and the Sudeten territory and to the intensification of methods of collection.

Railway Difficulties

The huge armament programme and the carrying out of the Four-Year Plan have in recent years led to a very large increase in the volume of goods transported. At the same time, because of the urgency of armaments, the Reich Railways have been able to obtain only a small quantity of replacement material. The shortage of rolling stock and rails was actually increased by the annexation of Austria and the Sudeten territory. At the present there is a shortage of about 70,000 goods wagons. In consequence, there are constant and considerable delays on the railways. To do away with this, to economise on rolling stock and to ensure the regular overhaul of locomotives and carriages, the Reich Railways have launched out on an economy campaign. Trains have been suspended on various lines, travelling by officials, soldiers and workers (Strength Through Joy excursions) has been greatly curtailed; and even international traffic has undergone a number of restrictions.

Switzerland

Increasing Defence Expenditure

BERNE, February 11.—After the War the defence expenditure of Switzerland remained nearly on the same level until 1934. The ordinary Budget contributed 90 to 94 million Swiss francs towards this; and in addition 20 millions were voted in 1930 for strengthening air defences. After Germany's political change in 1933 the Swiss people showed a growing interest in the problems of military defence, even the Socialist Party, which formerly was opposed to military credits, changing its attitude. After the Anschluss, with the changing balance of power in Central Europe, the Swiss Parliament decided to take further military defence measures, and the following figures show the effect of these on the Swiss Budget:—

DEFENCE EXPENDITURE (Million Swiss francs)		
	Ordinary	Extraordinary
1933	91	97
1936	97	235
1937	106	...
1938 (Budget)	124	100
1939 (Budget estimate)	132	196.5

The ordinary defence budget shows an increase of 45 per cent. over 1933. Extraordinary credits, unknown before 1930,

BRITISH MALAYA

For information on all matters relating to travel attractions, motoring, agriculture, mining and trade—you are invited to write for illustrated booklets, etc., to

MALAYAN INFORMATION AGENCY
MALAYA HOUSE, TRAFALGAR SQUARE, W.C.2

reach the amount of 648,500,000 Swiss francs (£31 millions) in the years 1933 to 1939; and a further credit of 350 million Swiss francs is provided for in a Government recommendation.

That means a total expenditure of about 1,730 million francs (or £84 millions) in the period 1933-39, a heavy burden for a population of only 4,000,000. To cover extraordinary expenditure, a tax on income and property is levied, provisionally for three years. A capital levy of 1 per cent. is also being discussed.

Rhine Navigation

Since the Rhine has been made navigable, the traffic on this river continues to grow. In 1937 the traffic of the Basle Rhine port amounted to 2.96 million tons; though in 1938 there was a slight decrease because of low water. About one-third of Swiss imports come in by way of the Rhine (especially coal, grain, petrol) and 30 per cent. of Swiss exports go through the port of Basle.

An agreement of 1929 between the Swiss and German Governments deemed it desirable to make the Rhine navigable from Basle up to Lake Constance, or a distance of about 90 miles. Now Germany is urging that this agreement be carried out, so as to open up new traffic lines between Switzerland and Southern Germany and Austria, and through Austria to Italy. But the interests of Switzerland are not now what they were in 1929. The Swiss Federal Railways, in which 3,200 million francs are invested, would lose an important part of their traffic were most of the goods traffic with Eastern Switzerland, Austria and beyond to go via a German port on Lake Constance. As the conditions have changed, it seems that the question ought to be discussed again.

Balance of Trade

Swiss imports in 1938 decreased by 11 per cent. compared with the previous year, whilst exports increased by 2 per cent. thus showing an improvement in the balance of trade. The balance recently has been:—

(Million Swiss francs)			
	Imports	Exports	Import surplus
1936	1,266	882	384
1937	1,807	1,286	521
1938	1,607	1,317	290

The import surplus in 1938 is lower than in any year since 1922. This is partly due to smaller and also cheaper purchases of raw materials, and is therefore of a temporary nature.

Although there are no official figures available on the balance of payments, it no doubt shows in 1938 an important surplus of receipts. The net receipts from foreign tourists may be estimated at 250 million Swiss francs, and the net returns from foreign investments at about the same amount. Further, there is a revenue of about 100 millions from transit traffic, banking and insurance activity, so that the 1938 trade deficit is more than made up by "invisible exports."

U.S.S.R.

Purges at an End?

MOSCOW, February 4.—Signs have multiplied in recent weeks that the Communist Party is now easing, if not ending, its long and costly crusade for political vigilance. It was in March, 1937, that Stalin told a *plenum* of the party's Central Committee that Bolsheviks had forgotten politics in their concentration on the economic problems of the first two Five-Year Plans. He called on them "to master Bolshevism," as he had earlier challenged them "to master technique." It was the signal for what is now called here "the great cleansing work," which has dominated every aspect of Soviet life for the past two years.

"Back to business" might well be the nation's new slogan. On December 8th, Lavrentia Beria, a professional Chekist, took over the Commissariat of Internal Affairs, which includes the nation's political police, from Nikolai Yezhov, who had organised and led "the great cleansing work." Public denunciations decreased in number, and there began a small but definite trickle back to their jobs in Moscow of men who had "disappeared" many months before. A "Short Course of Communist Party History," published with Stalin's

Australia

Lower Export Prices

SYDNEY, January 27.—The prices obtainable for Australia's main exports continue to be low. The export price index (1934-35 to 1935-36 = 100) dropped from 135 in the third quarter of 1937 to 107 at the beginning of 1938, and to 91 in December. In spite of this decline in prices, however, heavy shipments kept up export receipts which, for the first five months of the current financial year, totalled £47 millions sterling, showing a reduction of only £4 millions sterling compared with the same period in the previous financial year. During October and November, the value of imports fell appreciably compared with the same months of 1937, considerable falls occurring in motor car chassis and parts, motive power machinery, piece-goods, rubber, and timber. This decline in the value of imports amounted to approximately the same figure as the drop in export receipts, so that the position at the end of the first five months of the current season was almost the same as in November, 1937, with an export surplus of some £3 millions sterling.

OVERSEAS TRADE (Millions sterling)

Five months ended	Exports	Imports	Surplus of Exports
November—			
1936-7	44.8	39.5	5.3
1937-8	51.1	48.1	3.0
1938-9	47.2	44.4	2.8

The position of primary industries has been further worsened by drought conditions over a large area of the South-Eastern portion of the continent and the recent bush-fires. The drought, with the consequent reduction of railway freights, has adversely affected State Budgets. The Treasurer of the State of Victoria in November revised his Budget estimates from a surplus of £A12,000 for the year to a deficit of £A825,000. Commonwealth receipts from customs revenues have fallen, and the first six months of the financial year show combined deficits for the Commonwealth and the States of £A12.4 millions. Revenue is actually higher than in the same period of 1937-38, but expenditure has increased at a greater rate.

The combined figure is only £A4.6 millions greater than the deficit at the corresponding period of the previous year, when the final result was a net surplus of £A3.5 millions. As the Budget estimates envisaged a deficit of £A1.2 millions in the current financial year, Government accounts are conforming fairly closely to forecasts and the budgetary position appears to be quite sound. Australia's economy has undergone a long period of strain associated with eighteen months of low commodity prices on world markets and it would undoubtedly seem that deficit financing is good policy.

A major factor strengthening the Australian economic system in meeting the difficulties of a period of continued low export prices has been the rapid expansion of secondary industries. The Federal Treasurer recently stated that the import of overseas capital for investment in Australia, mainly for the purpose of establishing new factories or extending existing factories, has averaged something like £A10 millions a year during the past few years. The expansion of secondary industry has received great impetus from the introduction of the enlarged defence programme and the decision to make Australia as far as possible self-sufficient in the production of arms and munitions.

Commonwealth Loan Policy

The Commonwealth loan of £A72.6 millions, which closed on December 15th, is particularly interesting because of its effects on the banking position and the official support which was given to it. The rate of interest at £3 17s. 6d. per cent. was quite appreciably above the rate ruling for comparable loans at the time of the announcement of the terms of issue. When the loan closed, £A52.3 millions had been converted and cash contributions totalling £A13.4 millions had been received, of which the National Debt Sinking Fund had contributed £A3 millions. The balance of about £A6 millions was taken up by the Commonwealth Bank, which had underwritten the loan. The system of the central bank underwriting Government loans has a danger in that the bank can be forced to expand credit to the extent to which the public refrains from subscribing to the loan. This risk can be reduced if the central bank shares the underwriting with the trading banks, as has been the usual practice in Australia. In the present instance the Commonwealth Bank took up the whole portion which remained unsubscribed, thus expanding central bank credit to this extent. As the cash reserves of the trading banks had been falling steadily during the greater part of 1938 some expansion of central bank credit was necessary if restriction were to be avoided.

blessing in a first edition of 6,000,000 copies, has outlined the new orthodoxy. A call has been issued for a party congress in March, the first for more than five years, and its agenda includes consideration of the figures of the third Five-Year Plan, which, although it is in its second year, has never been published or officially approved.

Clearer than any of these signs has been the campaign to increase labour productivity and industrial efficiency which started at the end of December. More than anything else, this has shown that the attention of the Kremlin is now focussed on industrial problems for the first time in more than two years. The campaign is currently taking three forms: decentralisation of management; stimulation of labour discipline; and emphasis on the technical, as distinct from the political, aspects of Soviet economics.

Decentralisation of Control

A year ago, on January 19, 1938, the first session of the nation's new Supreme Soviet formally elected twenty-five men to the Council of People's Commissars. Of these men, only nine now hold the jobs they held a year ago. What will possibly prove a more important change is that four of the commissariats themselves have been liquidated and divided, so that there is now a total of thirty-five.

This decentralisation has so far affected chiefly industrial commissariats. Heavy industry has been divided into fuel, ferrous metals, light metals, chemicals, building materials and electric power commissariats. Textiles have been divorced from light industry. Meat and milk products and fish have become independent of the food industry commissariat, and the defence industry commissariat has been divided into aviation, armaments, shipbuilding and military supplies. Nearly all the new commissariats are headed by "post-purge" personnel. The five new divisions of heavy industry, for example, besides the fuel commissariat which is still headed by Lazar Kaganovich, are now managed by men whose average age is thirty-eight, none of whom was a member of the Communist Party before 1917, and each of whom held a minor post or was still studying three years ago.

Labour Discipline

Efforts to improve labour discipline have been aimed at cutting down the still appalling labour turnover and at securing maximum effectiveness from each working day and each machine. The first end has been served by revision of social insurance laws, penalising "floaters" in respect to pensions, holidays and other benefits. A system of "labour books" is being introduced to record each worker's job history, and although he will still be legally free to wander across the continent as the spirit moves him, there will be—for the first time since 1917—an important incentive to settle down at one job.

Idleness and lateness have long been serious problems in Soviet industry. According to a new decree, a worker more than twenty minutes late without legitimate excuse must now be summarily discharged. The best possible proof of the Soviet Union's allegedly acute labour shortage, incidentally, has been found in the extreme reluctance with which managers even now discharge a guilty worker.

Both decentralisation of control and improved labour discipline have tended to raise the status of technicians in Soviet plants. A wide range of other measures has had the same effect. They are usually referred to here under M. Kaganovich's slogan of "cultured production." If the word did not have a capitalist curse on it, he might better call his programme "rationalisation." The object is to eliminate some of the gigantic waste from bad organisation from which Russian industry suffers.

One of the consequences of this general policy has been a marked increase in the authority of engineers in Soviet industry, and of foremen in each factory. Significant adjustments have already been made in certain wage schedules to overcome the natural reluctance of many Stakhanovist workers, who are paid extra premiums for over-fulfilling their output norms, to become foremen and shop managers.

The success of the programme depends on the willingness of workers to accept a tighter discipline while living conditions are still hard, and on the ability of technically-trained personnel to take back a measure of the initiative and responsibility which in the past the party itself has periodically denied them. Public trials of "loafers" are being used on a wide scale to meet the first of these problems. The confidence with which the Bolsheviks approach the second problem is based on the fact that the technical intelligentsia, which at similar periods since 1917 has had to be conscripted into authority, is now for the first time overwhelmingly young and Soviet-trained.

Letters to the Editor

French Financial Policy

TO THE EDITOR OF THE ECONOMIST

SIR,—Abroad in Hongkong, I have been following with the closest interest the recent letters to you on the desirability of exchange restrictions for France, as advocated by Dr Balogh, and on the undesirability of these, as stated by MM. Istel and Mantoux. To an impartial observer it appears that the only plausible reason adduced by Dr Balogh, now that France's finances and labour questions are being handled in a manner to inspire confidence in capitalists, is that exchange restrictions would prevent exports of capital in future due to war scares. But if that is so, then this would surely apply to Great Britain also. And war scares do not seem to cause the British to export their capital in appreciable amounts.

Presumably the reason why war scares do *not* cause nationals to export their capital appreciably (apart from patriotism) is the practical difficulty of benefiting by such an act, owing to subsequent Government action if war does break out—as the Germans and Italians have already found out during peace-time. It was very striking how not only the British, but also the French, did not export any appreciable capital during the September scare. (The withdrawal of capital by foreigners is, of course, irrelevant to the argument.)

Surely the great cause of nationals exporting their capital is distrust of the methods of handling their country's finances; in this case they do stand to benefit by their act. As the French now have no more reason for such distrust than the British have, it would seem logical enough for France, with £500 millions of liquid capital exported, to ignore war scares and keep the exchange free, just as Great Britain is doing.

Yours very truly,
T. L. CLEAVE.

Hongkong.

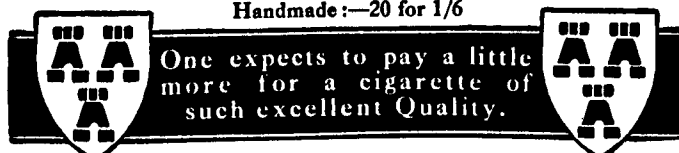


10 for 8^p

**WILL'S
THREE CASTLES
CIGARETTES**

15 for 1/- 20 for 1/4^d 50 for 3/3^d 100 for 6/4^d

Handmade:—20 for 1/6



One expects to pay a little more for a cigarette of such excellent Quality.

Issued by The Imperial Tobacco Co. (of Great Britain and Ireland), Ltd.

T.T.1939

TO THE EDITOR OF THE ECONOMIST

SIR,—Mr Bauer's comparison of M. Reynaud's economy decrees with the emergency Acts of the former German Chancellor, Dr Brüning, seems to overlook the main principles. The general situation in both countries is entirely different, and the fundamental ideas of Budget policy are wholly opposed. Dr Brüning had to balance his Budget at all costs. There was only one Budget. Nobody thought then to institute an extra-ordinary Budget as France has to-day—and not only France. The cut in expenditure in Dr Brüning's Budget was more than offset by the shrinking receipts, as economic deflation was then in full swing. At that time diminishing State expenditure meant only new momentum for deflation.

Now let us look at France! For many years her Budget has shown large deficits; as there was no chance to balance the yearly Budget, non-recurrent expenditure—or what was thought not to be recurrent—was charged to an extra-ordinary Budget. For the coming year the total of the extra-ordinary Budget is estimated at well over 20 billions of francs. It is hard to see how under these circumstances a reduction of a few billions in public works can be regarded as a deflationary move. Moreover, the growth of armament expenditure is far offsetting the reduction of public works.

It remains only to emphasise that Dr Brüning's policy was deflationary, not only in respect of Budget policy, but also in all other respects. M. Reynaud's policy, on the other hand, is entirely reflationary; the political conclusion which Mr Bauer draws seems, therefore, to be unfounded.

Believe me to be, sir,
Yours faithfully,

Zürich.

WERNER BÄR.

The Currency Bill

TO THE EDITOR OF THE ECONOMIST

SIR,—Some misconception appears to exist as regards the profit accruing to the State when the Currency and Bank Notes Bill becomes law. Ignoring minor adjustments, £126 millions of gold in the Issue Department of the Bank of England will be raised in value by some £95 millions, and £95 millions of securities will be displaced and transferred to the Exchange Equalisation Account.

There seems to be a profit of £95 millions, but this is illusory. It is true that the Account will have an additional £95 millions of securities, but then it is essentially a costless proceeding to supply the Account with Treasury Bills: until the Bills are used (exchanged for sterling, foreign exchange or gold) the interest arising is simply paid from the Government's right-hand pocket into its left—as is the interest on securities in the Issue Department. On the other hand the profit would not be illusory if £95 millions of gold instead of £95 millions of securities were released from the issue Department.

Reigate,
Surrey.

Yours faithfully,
P. E. BUDGEN.

POINT FROM LETTERS

Science and Economic Progress.—In the article "Science and Economic Progress," on February 11th, you say: "The supply of goods for consumption may be increased in the future if the community limits its consumption now." That is an erroneous economic doctrine. The supply of any sort of goods may be increased now without any reduction in the standard of living, now or in the future, provided that raw materials and workers are available. These are the only physical limits to production. Unfortunately, there is a psychological limit and that is "belief in an archaic monetary doctrine."—*Hugh Munro, Glasgow.*

[To maintain that the limitation on the supply of goods is not the state of scientific knowledge but the resources of raw materials and workers available was the chief point of our article. We do not follow how the abandonment of "belief in an archaic monetary doctrine" would create materials and labour that do not now exist in adequate proportions for a sweeping advance in technology together with a maintenance of the present level of consumption.—EDITOR.]

Books and Publications

The Aircraft Industry

THIS survey* of the economic problems of the world's aircraft industry (outside of Germany) was compiled under the editorship of the Director of the official German Institute for Business Research and sponsored by the Association of German Aircraft Constructors. It is the first review of its kind. Three main sections deal with the experience of the World War, the development of the aeronautical industry in the post-war period and the present mobilisation of the industry. The trade in aeronautical materials is analysed, and the organisation of the aviation industry in "young" industrial countries is discussed.

There are three main reasons why the organisation of the aircraft industry will be of immense importance in the next war. Very large numbers of aeroplanes will be needed. The manufacture of aeronautical materials is complicated and therefore very expensive. And, furthermore, continuous improvements in design prohibit the storage of large reserves in peace-time. The industry's capacity must therefore be very great. A permanent first line strength of 3,500 planes, for instance, requires an industry capable of producing 50,000 planes a year.

Dr Wagenführ draws three chief conclusions from the various countries' experiences during the Great War. The output of aeronautical materials increased enormously (Great Britain's production of fuselages in 1914 was practically negligible; in 1918 the monthly output amounted to 2,961 units). The preparatory work needed to make larger outputs possible took a very long time, which leads the author to suggest very carefully planned co-ordination now to avoid war-time deadlocks through lack of raw materials, like the bottleneck created in the United States caused by the lack of linen. Finally, the demand for labour increased to such an extent that large numbers of men had to be called back from the front, every fighting plane requiring on the average 93.5 industrial workers; and at least half the actual fighting strength in the air had to be replaced every month.

The principal problems are common to all countries. Almost every expert agrees that air forces will play a very important rôle in any future war. An air force has to be kept ready for war at a moment's notice, even in peace time. Besides expanding already existing aviation plants, the belligerents will have to employ firms outside the aeronautical industry itself; and the organisation of supply has to be planned in peace-time. Reasonably large reserves for the first line strength must be available; and, since the introduction of new types into service takes a long time, it is necessary to work continuously on the development of new types, in addition to keeping current production steady.

Civil aviation is a very valuable additional source of income to the aircraft industry; but it is not sufficient to keep it alive, and aeroplane makers must therefore mainly rely on Government orders. It is imperative that Governments should plan their construction programmes for a long time in advance; but these programmes must be flexible. Exports must be promoted to keep the industry occupied; but Governments must find means to protect themselves against the export of the most up-to-date types of machines.

These are common problems, but the solutions chosen differ from country to country. While every Government attempts to control the operations of the aircraft industry which is dependent upon its orders, there are many different ways of doing this. The United States Government, indeed, refuses to participate in the industry in any way beyond controlling prices. The British and French Governments have gone somewhat further; in one case, subsidised "shadow" factories have been erected; in the other, the industry has been nationalised. America tries to create a large productive capacity through private firms able to produce a single type from first design to serial production. The "shadow" factories in this country are organised at present only for the production of parts, though they will become independent

* "Die Flugzeugindustrie der Anderen." By Dr Rolf Wagenführ. Berlin 1939. Hanseatische Verlagsanstalt Hamburg.

production units in case of war. Production policy is determined to a large extent by the particular political, geographic and strategic position of each individual country.

Dr Wagenführ has announced that he will prepare a similar survey of the German aircraft industry. It is to be hoped that he will show the same impartiality that he has consistently maintained in this most valuable book.

Shorter Notice

"Axis Plans in the Mediterranean." London General Press. 33 pages, 6 diagrammatic maps. Price 6d.

Captain Liddell Hart writes a preface to this brief "analysis of German geopolitical ideas on Italy, France, Balearic Islands, Gibraltar, Catalonia and Spain," in which he repeats the argument he has made elsewhere that "a friendly Spain is desirable, a neutral Spain is vital." In a sketchy and somewhat hortatory form, the booklet describes Germany's Mediterranean aims according to the neo-Treitschian school of Professor Banse and others; and the maps are drawn from German sources to illustrate the strategic implications of an anti-British regime in Spain. The booklet may be recommended to all imperialists.

Books Received

Moral Re-armament. Edited by H. W. Austin. (London) Heinemann. 64 pages. 6d. net.

The British Commonwealth and the Future. Edited by H. V. Hodson. (London) H. Milford. 336 pages. 8s. 6d. net.

Labour Conditions in Indo-China. International Labour Office. (London) P. S. King. 331 pages. 7s. 6d. net.

Statistical Year-Book of the World Power Conference. Edited by F. Brown. (London) The Central Office of the World Power Conference, 36 Kingsway. 138 pages. 20s. net.

The Social Function of Science

J. D. BERNAL, F.R.S.

"A unique book . . . it contains an accumulation of knowledge and a passion for ideas that are not likely to be combined again in one man for a long time to come . . . the testament of one of the few minds of genius in our time."

—*The Spectator*

12s. 6d. net

PUBLISHED BY ROUTLEDGE

THE BUSINESS WORLD

Our Twelve Best Customers

ON page 113 of *The Economist* of January 21, 1939, we examined the general trend and nature of our overseas trade in 1938. Recession at home and abroad was responsible for a decline of 10.4 per cent. and 9.6 per cent., respectively, in the value of our imports and exports. But as import prices fell, while export prices were better maintained, we obtained in the past year a bigger volume of imports per unit of exports in 1938 than in 1937. And if allowance is made for changes in prices, it will be found that the volume of our purchases abroad last year was only 5.3 per cent. smaller than in 1937, whereas the volume of our sales overseas showed a reduction of 11.3 per cent.

The analysis of the geographical distribution of our imports and exports, published in the official trade returns for January, reveals where we purchased our supplies, and where we sold our exports in the past year. In the tables at the foot of this page we have assembled the figures for our trade with the principal countries of the world in the three years 1929, 1933 and 1938, and

we have calculated the percentage change in the trade with each country between 1937 and 1938.

Our commerce with individual countries in 1938 was naturally affected by changes in the total value and composition of our overseas trade and in the economic position and foreign trade policy of other countries. It is scarcely surprising, therefore, that the percentage changes in the value of our trade with individual countries between 1937 and 1938 were far from uniform. A feature of the past year's trade was the relatively smaller decline in the value of our trade with the Empire than in that with the rest of the world and, consequently, the persistence of the long-term trend towards an increase in the proportion of our total trade done with British countries, set in motion by the tariff of 1932 and the Ottawa Agreements concluded at the end of that year. Last year no less than one-half of our total exports were consigned to, and two-fifths of our purchases were derived from, the Empire, compared with 44.5 per cent. and 29.5 per cent., respectively, in 1929.

TRADE WITH NON-EUROPEAN COUNTRIES

From or To	Imports (£000)				British Exports (£000)			
	1929	1933	1938	% change from 1937	1929	1933	1938	% change from 1937
Turkey	2,244	1,151	972	- 39.7	2,824	1,458	2,476	+ 60.5
Egypt	23,582	12,392	11,636	- 18.6	12,576	6,264	5,690	- 10.3
Iraq	1,676	439	2,734	- 22.2	2,425	1,895	2,421	- 5.0
Iran	9,147	7,835	9,071	- 13.1	2,260	1,055	5,430	+ 65.6
China	12,156	5,131	6,448	- 22.1	14,029	6,301	4,043	- 25.5
Japan	9,131	6,296	9,222	- 22.0	13,434	4,189	1,803	- 58.4
Dependencies	1	933	438	- 51.8	195	320	296	- 35.5
U.S.A.	195,979	75,790	117,887	+ 3.2	45,558	19,052	20,484	+ 34.8
Dependencies	2,196	811	1,228	- 82.7	1,245	706	887	+ 10.2
Cuba	7,934	4,302	4,963	+ 9.8	2,027	596	849	+ 39.8
Mexico	2,689	2,534	2,109	- 47.7	2,537	1,415	845	- 50.9
Colombia	2,106	976	252	- 111.8	3,240	2,214	1,762	- 41.8
Peru	6,462	4,710	3,432	- 33.2	2,006	896	1,034	- 11.0
Chile	10,615	3,758	7,868	- 16.0	9,195	731	1,640	- 13.8
Brazil	7,292	4,809	7,705	- 8.9	13,383	6,165	5,195	- 26.3
Uruguay	5,651	3,462	3,920	- 2.4	3,723	1,750	2,188	- 4.9
Argentina	82,446	41,691	38,486	- 35.7	29,074	13,082	19,338	- 3.5
Other Non-European Countries	15,025	8,156	11,908	+ 4.3	11,853	6,030	6,632	- 0.8
Total	396,340	185,181	240,277	- 12.2	171,591	74,127	85,822	- 17.0
<i>As % of Total of All Groups ...</i>	<i>32.4</i>	<i>27.4</i>	<i>26.1</i>	<i>...</i>	<i>23.7</i>	<i>20.2</i>	<i>18.2</i>	<i>...</i>

TRADE WITH BRITISH COUNTRIES

From or To	Imports (£000)				British Exports (£000)			
	1929	1933	1938	% change from 1937	1929	1933	1938	% change from 1937
Eire	45,087	17,783	22,921	+ 8.7	36,078	19,010	20,263	- 6.1
West Africa	11,386	5,779	9,334	- 34.8	12,316	6,392	9,301	- 34.8
South Africa	24,417	14,531	14,633	- 18.3	32,785	23,393	39,509	+ 4.5
India, Burma and Ceylon	77,995	46,500	68,345	- 10.3	84,147	35,526	39,931	- 7.2
Straits Settlements	17,644	4,779	12,184	- 7.0	15,564	5,381	11,118	- 3.9
Australia	55,685	48,709	72,121	+ 0.6	54,375	21,394	38,178	+ 1.7
New Zealand	47,726	37,183	46,815	- 11.6	21,393	9,545	19,241	- 4.9
Canada	46,410	46,218	78,564	- 7.5	35,007	17,510	22,532	- 19.2
West Indies	5,327	5,817	10,337	- 7.5	5,042	4,632	5,991	- 3.3
Other Possessions	27,161	22,154	36,488	- 10.8	27,740	20,749	28,752	+ 0.7
Total	358,842	249,458	371,742	- 8.5	324,451	163,535	234,816	- 6.8
<i>As % of Total of All Groups ...</i>	<i>29.5</i>	<i>36.7</i>	<i>40.4</i>	<i>...</i>	<i>44.5</i>	<i>44.5</i>	<i>49.9</i>	<i>...</i>

TRADE WITH EUROPEAN COUNTRIES

From or To	Imports (£000)				British Exports (£000)			
	1929	1933	1938	% change from 1937	1929	1933	1938	% change from 1937
U.S.S.R.	26,487	17,436	19,543	- 32.9	3,743	3,283	6,434	+ 108.5
Finland	14,944	12,771	19,282	- 14.0	3,362	2,845	5,524	- 7.4
Estonia	2,497	1,217	2,068	- 8.3	463	365	1,938	- 27.4
Latvia	5,467	2,640	4,606	- 13.7	1,496	1,001	1,678	- 0.8
Sweden	25,709	15,955	24,552	- 6.2	10,547	7,171	11,725	- 9.9
Norway	14,149	6,955	11,032	- 4.6	9,858	5,552	7,566	- 14.2
Denmark	56,211	35,427	37,859	+ 3.5	10,678	11,796	15,783	- 6.6
Poland	6,908	6,551	9,543	- 11.9	4,504	2,740	5,369	- 5.8
Germany	68,817	29,818	30,150	- 16.5	36,966	14,712	20,551	- 4.6
Holland	42,372	18,589	29,341	- 10.4	21,818	12,480	13,142	- 12.5
Dependencies	17,930	12,958	21,062	- 10.9	10,039	3,183	4,295	- 9.2
Belgium	44,019	12,914	18,591	- 19.1	19,413	8,836	8,232	- 26.4
Dependencies	277	29	187	- 31.5	749	392	418	- 29.8
France	56,549	19,084	23,638	- 7.8	31,663	18,159	15,131	- 29.3
Dependencies	6,925	2,777	6,086	- 2.5	7,070	3,904	3,314	- 22.8
Switzerland	13,740	5,218	7,378	+ 0.8	6,424	3,946	3,467	- 25.6
Portugal	4,216	2,726	3,668	- 14.9	3,631	3,501	2,957	- 3.6
Greece	1,213	367	146	- 41.1	4,513	2,328	1,774	- 2.3
Spain	19,074	11,275	5,733	- 32.6	12,055	4,493	3,445	- 41.2
Dependencies	2,988	1,958	2,648	- 8.0	1,770	1,494	303	- 36.9
Italy	16,800	9,208	7,186	- 7.2	15,999	9,046	5,719	- 15.8
Dependencies	77	31	87	- 14.7	123	100	18	- 12.5
Austria	2,781	1,266	1,733	- 35.6	2,520	878	1,300	- 29.6
Hungary	720	1,463	2,464	- 0.3	1,058	276	593	+ 18.3
Czechoslovakia	6,675	2,896	6,938	- 4.6	2,101	860	2,287	- 12.1
Roumania	2,742	2,318	1,978	- 7.0	4,947	1,957	3,752	+ 27.5
Other European Countries	2,965	4,167	3,827	- 15.5	2,316	2,384	1,343	- 26.1
Total	445,582	241,152	308,418	- 11.7	233,306	129,961	150,245	- 9.5
<i>As % of Total of All Groups ...</i>	<i>38.1</i>	<i>35.9</i>	<i>33.5</i>	<i>...</i>	<i>32.8</i>	<i>35.3</i>	<i>31.9</i>	<i>...</i>

RE-EXPORTS

Imports (£000)					
To	1929	1933	1937	1938	% change since 1937
U.S.S.R.....	2,799	973	16,420	10,986	- 33.1
Germany.....	23,253	9,778	7,321	6,160	- 15.8
Netherlands.....	5,212	1,975	2,065	1,659	- 19.7
Dependencies.....	149	77	84	95	+ 13.1
Belgium.....	9,205	4,089	5,902	4,433	- 25.2
Dependencies.....	36	22	19	14	- 26.4
France.....	17,517	7,624	8,623	8,209	- 4.8
Dependencies.....	210	132	165	92	- 44.2
United States.....	16,458	7,052	10,917	8,285	- 24.1
Dependencies.....	31	11	13	14	+ 7.8
Other Foreign Countries.....	11,770	6,904	11,406	10,191	- 10.6
Eire.....	10,220	4,650	5,716	5,712	- 0.1
Other British Countries.....	12,842	5,791	6,483	5,758	- 10.8
Total.....	109,702	49,078	75,134	61,608	- 18.0

The shift in the trade with our twelve most important individual sources of supply, and our twelve best customers since 1929, is shown below. The countries are listed in the order of their importance in 1938:—

	OUR TWELVE LEADING SOURCES OF IMPORTS		
	1929	1937	1938
U.S.A.	1	1	1
Canada	9	2	2
Australia	7	3	3
India and Burma	4	4	4
New Zealand	8	6	5
Argentina	2	5	6
Denmark	6	7	7
Germany	3	8	8
Holland	12	9	9
Sweden	14	11	10
France	5	12	11
Eire	10	15	12

	OUR TWELVE BEST CUSTOMERS		
	1929	1937	1938
South Africa	7	1	1
Australia	2	3	2
India and Burma	1	2	3
Canada	6	5	4
Germany	4	7	5
U.S.A.	3	4	6
Eire	5	6	7
Argentina	9	10	8
New Zealand	11	9	9
Denmark	21	11	10
France	8	8	11
Holland	10	12	12

The United States has remained our leading source of supply, but she was sixth on the list of our twelve best customers last year, after being fourth in 1937 and third in 1929. The relative decline in our exports to the United States last year is a reflection of the fall in the total imports of that country rather than of significant changes in her sources of supply. South Africa, on the other hand, has moved up from seventh to first place on the list of the twelve best customers, due largely to the prosperity of her gold-mining industry; but as a large proportion of her exports consists of gold (which is not included in the ordinary trade returns), she does not come within the group of our twelve most important sources of supply of merchandise. Canada has moved up from ninth to second place on the list of sources of supply since 1929, and in 1938 she held the fourth place among our customers, against sixth in 1929. In 1938, as in 1929, Australia was our second most important overseas market, but in the interval she has risen from seventh to third on the list of our most important sources of supply.

New Zealand has also moved up on both lists, but India and Burma which were much the most important market in 1929 were third on the list of customers in 1938, due in no small measure, to the decline in imports of cotton goods; on the other hand, India and Burma's position on the list of suppliers in 1938 remained fourth, as in 1929.

The next table shows the value of British exports to our twelve best customers per head of their population:—

	IMPORTS OF BRITISH GOODS BY OUR TWELVE BEST CUSTOMERS PER HEAD OF THEIR POPULATION		
	1929	1937	1938
	£ s. d.	£ s. d.	£ s. d.
South Africa	3 17 10	4 4 7	3 19 2
Australia	8 9 7	5 9 10	5 10 11
India and Burma	0 4 5	0 2 1	0 1 11
Canada	3 9 10	2 9 7	2 0 6
Germany	0 11 5	0 6 4	0 6 0
U.S.A.	0 7 6	0 4 10	0 3 2
Eire	12 5 8	7 6 9	6 17 8
Argentina	2 12 7	1 11 8	1 10 1
New Zealand	14 10 6	12 14 7	11 19 11
Denmark	3 0 3	4 9 7	4 3 0
France	0 15 4	0 10 2	0 7 3
Holland	2 16 1	1 14 11	1 10 3

So far as British countries are concerned, New Zealand's purchases from us per head of her population were much bigger than those of any other country, both in 1929 and in 1938. Last year New Zealand was followed by Eire, Australia, South Africa, the British West Indies and Malaya, in that order. Among foreign countries, Denmark headed the list in 1938 (in 1929 Norway held that position), followed by Norway, Sweden, Holland and Argentina.

The proportion of our total trade done with the twelve most important countries has shown remarkable stability. In 1938, we obtained 62.8 per cent. of our total imports from the twelve countries listed, compared with 61.0 per cent. in 1937 and 64.4 per cent. in 1929. Similarly, the proportion of our total exports consigned to the twelve best customers in 1938 was 59.4 per cent. in 1929, 60.2 per cent. in 1937, and 59.6 per cent. in 1938. Changes in our trade with the less important countries were far more striking, as the accompanying tables show. The few countries which purchased more from us last year than in 1937 include the U.S.S.R., Spain, Italy and her dependencies, Hungary, Greece, Turkey, Egypt, Iran and Australia. Sales to the other South-East European countries, the Baltic States and South America showed a decline, but owing to the many conflicting tendencies at work, these reductions cannot be attributed to any single cause, such, for example, as Germany's trade drive.

The Borders Case

BUILDING society questions rarely come before the Courts. But the crowded audience which heard Mr Justice Bennett's reserved judgment in *Bradford Third Equitable Benefit Building Society v. Borders* last Monday demonstrated the widespread interest and concern which this case has aroused. It has, indeed, provided plenty of popular interest. The defendant, for example, conducted her own defence. The property, of which the plaintiffs claimed possession, was proved to be of bad materials and workmanship. And the plaintiffs failed to prove that the deed produced in Court, by which the house was alleged to be mortgaged to the Society, was in fact executed by the defendant and her husband. On the latter ground, the Society's action failed. On the other hand, Mrs Borders failed to prove that the building society was responsible for misrepresentations regarding the quality of the house. Hence, her counterclaim for damages also failed.

Neither of these points, however, despite their importance, matches the challenge to present-day building society methods which was raised in the course of

their contracts. Further, shareholders and depositors—possibly realising the full importance of the *ultra vires* issue for the first time—would have required the fullest reassurances that the legal position had been rectified.

Subject to the possibility of appeal, and subject also to Mr Justice Bennett's judgment being found to cover the whole subject of collateral security, these alarming apprehensions are shown to be unfounded. But in order to appreciate the full importance to the building society movement of the legal point involved, we may briefly examine a typical method adopted for collateral business, known as the "builders' pool." It has the dual object of enabling a house purchaser to acquire property on a modest initial payment (which may be as low as 7½ per cent. or even 5 per cent. of its valuation), and also to cover the building society for the excess of its advance over the normal proportion of 75 per cent. or 80 per cent. of valuation. The builder usually makes a cash deposit with the society, equivalent to the excess advance (i.e. 15 per cent. to 20 per cent. of the valuation) on the first batch of houses built. On the basis of its initial experience with the builder and the new estate, the society may subsequently accept cash deposits in respect of only part of the excess advances, but it protects itself for the remainder by obtaining the builder's personal guarantee and also retains the right to draw upon the pool in the event of default. When an estate scheme is in full operation, this cash proportion may vary between one-quarter and one-third of the excess advances. Finally, as the loan on a given property is reduced and the excess advance is recovered, the due proportion of the builder's cash deposit is released.

The system has made an enormous contribution to the development of new building estates, and the progress of the building society movement in recent years, though it is impossible to estimate the amount of building society business which has resulted, since the statutory form of building society accounts does not distinguish normal advances from those supported by collateral. It is thought, however, that for some of the larger societies, pool business may count for as much as half of the total. In any case, a movement which controls £636 millions of mortgage assets could not be allowed to remain exposed either to evasion of mortgage contracts or to any prejudicial threat to the security of depositors' and shareholders' funds totalling £656 millions.

There may, however, on further consideration, be a case for an Act to put beyond all question the right of the societies to take collateral security. Moreover, since these fundamental matters of building society practice have been raised, the moment would seem to be opportune for reviewing some of the other aspects of the movement's policy. The main statutory powers of building societies are derived from the Act of 1874. In two-thirds of a century the societies, which were originally conceived as philanthropic savings organisations, on Victorian "self-help" lines, have become highly capitalised concerns, whose resources approach one-third of those of the "Big Five" banks, while the assets of one society alone exceed the capital of the largest British industrial company by £43 millions. Yet much of the parochialism of earlier days still exists within the movement. There are still as many as 977 building societies in existence, and the fall in numbers since Victorian days is due largely to the gradual disappearance of the terminating society. In other words, the building society movement has not experienced the modern tendency towards amalgamation which has built up our railways, banks and large industrial units. Mere numbers, coupled with wide variation in the size of the societies, have made the achievement of uniform practice and safeguards against extremes of competition quite impossible in recent years. Attempts were made between 1934 and 1936 to introduce voluntary co-operation in the movement, and the larger metropolitan societies were, in fact, able to reach agreement on the desirable limits of pool business—covering such points as normal and excess advances, rates of interest and maximum periods of repayment. But it proved impossible to extend agreement over the movement as a whole, and, as a result, an unfortunate cleavage occurred by which the movement was split into

two organisations, the Building Societies' Association and the National Federation of Building Societies.

It is readily understood that smaller local societies, retaining much of the philanthropic character envisaged by the Act of 1874, should be averse to the imposition of rules which, in their own experience, seem arbitrary and unnecessary. Competition, however, has probably been more acute among societies of a more substantial character, particularly those who have seen their neighbours achieve national status. The growth of many provincial societies, in fact, owes much to the rapid growth of housing estates in the London suburbs in the last decade, and their incursion into new territory has not always been well devised. In particular, the relations between the societies and builders have sometimes been ill-defined in the minds of house purchasers, with unfortunate results where building standards have subsequently been proved wanting.

Since attempts to secure a voluntary agreement covering the whole movement have failed, it seems to follow that the only alternative is legally defined regulation. A former Chief Registrar of Friendly Societies, indeed, has remarked that building society law has begun to creak when applied to modern practices. Without considering a root and branch revision of building society law, it might be appropriate, at any rate, to consider the effective regulation of pool business. The pool system survived the depression of 1932 satisfactorily, but, in the meantime, total mortgage assets and the movement's combined liabilities to its members have both increased by well over £200 millions. The actual experience of pool business is known only to the societies themselves, but while there is no reason to question the care with which it is usually supervised, the fact remains that building society creditors have every right to demand that the collateral provided by the builders' pool is at all times adequate and liquid. It is plainly undesirable that, under the stress of competition for declining business, societies should be tempted to compete on terms which might involve risk to members.

Nor is this the only point on which the need for increased liquidity may be stressed. Leading spokesmen for the movement have repeatedly criticised the type of building society balance sheet which shows mortgage advances equivalent to 95 per cent. of total assets. Advances may have an average term of seven years to run, and it is not sufficient from the shareholder's point of view that they were originally made on a conservative basis, say, of 75 per cent. of valuation, and that any excess advances are adequately covered by builders' deposits. The valuation itself contains a "going concern" element which may disappear in the event of a forced sale or of depreciating property values. Certainly, it cannot be converted into cash at short notice to meet withdrawals of shares or deposits. Liquidity, in other words, should be measured not by reference to a given margin of valuation, but by the accumulation of adequate liquid assets in building society balance sheets. As a criterion, 10 per cent. of liquid assets might be regarded as a minimum, and the margin could with advantage be set higher.

Finally, the societies have a remedy against immoderate practices in their own hands. Faced with a growing volume of "return" money arising from the mortgage advances made in recent years, and with a potential decline in the demand for new advances in future, there is a risk that mortgage rates may be unduly reduced under competition—already suggestions are being heard to this effect. On the other hand, the recent increases in share interest (usually from 3 per cent. to 3½ per cent., tax free) suggest that some societies are experiencing a withdrawal of funds. On these general matters of trading (as opposed to pool business in particular) it is surely reasonable to expect the societies to move in concert—as indeed Lord Stamp emphasised at the Abbey Road Building Society meeting last week. The need for a fully representative body, capable of speaking for the movement as a whole and guiding its policy, has become more emphatic in recent months. By repairing the unfortunate cleavage which occurred in 1936, the movement would demonstrate its willingness—and achieve the power—to act in the best interests of its creditors, its borrowers, and, not least, its member societies.

Balkan Exchanges

MUCH has been heard in recent months of the difficulties under which British trade with the countries of South-Eastern Europe is labouring and of the necessity for defending our position against the inroads of German trade methods. It is not often realised, however, to what an extent Germany gains an advantage, and Britain is put at a disadvantage, through the merely technical operation of the foreign exchanges.

When in 1931 the pound sterling left the gold standard and depreciated, nearly all the countries of Central and South-Eastern Europe preferred to impose exchange restrictions and maintain the existing gold parities of their currencies. The reasons for this action were to be found in the popular horror of inflation which remained in all these countries as a legacy from the post-war years, and this opinion has remained so strong that, in most of these countries, the fiction of the gold parity is still maintained. This policy had the result that the Balkan currencies were left high and dry, while the pound sterling and, with it, the world price level for basic commodities, fell away. To take Roumania as an example, the gold parity between the leu and the pound sterling had been fixed in 1929 at Lei 813½ to the pound. But as the pound depreciated, the official rate of exchange fell to Lei 490.

The Reichsmark, however, remained officially at its old gold parity and for years after 1931 the rate of exchange between Berlin and Bucharest remained at the pre-crisis figure of about Lei 39 = Rm. 1. Germany had always been a very powerful factor in Balkan countries, both as a buyer and a seller, and this fact, combined with the stability of the exchange rate, contributed to the great expansion in trade between Germany and the Balkan countries. Since a pound, earned by the sale of Roumanian produce in Great Britain, would bring in only 490 lei, while a Reichsmark continued to bring in the former amount in Roumanian currency—and since, further, the internal price-levels of Great Britain and Germany both remained substantially unchanged—it was only natural that Roumanian exports should be diverted from Britain to Germany. In a system of free exchanges, British exports should have been helped by the depreciation of the pound, while Germany's sales should have been reduced by the enhanced competitive power of British goods. But under exchange control, these results do not follow. Roumania and Germany having set up an exchange clearing system, Roumania was compelled to take German goods to the amount of her sales to Germany, in spite of the fact that the Reichsmark had become over-valued relatively to sterling. And since Roumanian exports to Great Britain were hindered by the poor price, in lei, that they could fetch, the Roumanian authorities restricted the issue of import permits for British goods and thus prevented the British exporter from gaining the advantage of the relative cheapness of his goods. This combination of circumstances clearly worked to Britain's disadvantage. The Roumanian price-level became attached to the German and detached from the world price-level. Instead of falling (which, though painful, would have been the only way of buttressing the artificially exalted value of the leu) the Roumanian price-level remained in 1935 at the same figure as in 1931.

The position of being progressively cut off from the world economy became, of course, more and more unpleasant for Roumania. Exports to free exchange countries were subsidised and the form of subsidy gradually took the form of an informal and unavowed depreciation of the leu. By a law of December 1, 1935, a premium of 38 per cent. was allowed to exporters, who were compelled to hand over their foreign exchange to the National Bank, and the same premium was charged to importers of British goods. The new rate of exchange was therefore about 680 lei = £1. But though the leu was thus *de facto* depreciated so far as British-Roumanian trade was concerned, the exchange rate between the leu and the Reichsmark remained unchanged.

The new pound-leu rate of exchange was confirmed in the Anglo-Roumanian Payments Agreement of May, 1936. But it was recognised in the agreement that even this rate did not provide an adequate return on Roumanian exports in view of the internal level of prices. It was therefore provided that the Roumanian exporters of certain specified kinds of commodities might retain the sterling they obtained, without passing it through the clearing, and freely dispose of it to importers of other specified goods. The exchange rate for this so-called "compensation sterling" is determined by the market in Bucharest and in the last two years has fluctuated between 700 and 1,100 lei to the £. Towards the end of 1938 the rate moved in the range of 900-1,000 lei. Provision is also made for "special compensation" trade, i.e., compensation trade in commodities not on the general list but for which a special permit is granted. The rate for this type of sterling has fluctuated between 850 and 1,000 lei according to the type of goods concerned. All German trade has continued to be done at the rate of 39 lei to the Reichsmark. The pound sterling has consequently been valued, according to the official rate, at about Rm. 17½ and, according to the rate for compensation sterling, at which an increasing part of Anglo-Roumanian trade has been done, at anything up to Rm. 28. Moreover, it is only the compensation rate which now applies, since it was agreed in September that British exports to Roumania should no longer be paid for through the clearing account. Of the proceeds of Roumanian exports (other than oil) only 40 per cent. is retained for financial payments and 60 per cent. is now, broadly speaking, negotiable by the Roumanian exporter for the purchase of goods from the United Kingdom. These exchange rates, though necessary to facilitate Roumanian exports to Great Britain, very seriously limit the competitive power of the British manufacturer in the Roumanian market.

Thus the British trader is at a disadvantage whether the pound is undervalued relatively to the Reichsmark (as in the earlier years after 1931) or overvalued, as at present. Germany, on the other hand, has been able to draw advantages from either circumstance. When her currency was overvalued relatively to sterling, she avoided the evil effects that should have been produced on her exports by compelling Roumania to buy as much as she sold. And now that the Reichsmark is cheap, relatively to sterling, she gets over the difficulties that such a position would normally create for her imports by bulk buying at prices above the world level. Indeed, while the British complaint is that the pound is valued too high, the Germans have recently been pressing for an increase in the Reichsmark quotation in order to improve their terms of trade, and it was reported in December that the rate had been raised by agreement to 41 lei to the Reichsmark. This still indicates a cross-rate of about Rm. 24 to the £.

The Roumanian case has been dealt with in detail as an example of the forces at work. But what is true of Roumania is true in greater or less degree of the other four countries of South-Eastern Europe. With Turkey a full Clearing Agreement is in existence. The pre-1931 rate of exchange was 1,025 piastres to the £, and the official rate of the clearing is 590 piastres. At this rate, very few Turkish exports to this country are naturally forthcoming and British exporters have to wait 27½ months for their money. There is a possibility of private compensation trade and the premium for this compensation sterling (i.e. the depreciation on the nominal value of the piastre) fluctuates between 15 per cent. and 90 per cent. and is at present quoted at about 85 per cent.; but at these rates the amount of compensation trade that is possible is very small. The credit agreement concluded with Turkey a few months ago may possibly improve the position of the clearing, but only after a considerable delay.

In the cases of Roumania and Turkey, the clearing or payments agreements secure that a fair proportion of the proceeds of exports to this market are spent on British

goods. With Greece, Bulgaria and Yugoslavia this is not so, but trade is subject to varying degrees of restriction at the non-British end. Thus Bulgaria has complete exchange control and the fiction of gold parity is still maintained. The pre-crisis rate of exchange was 673½ leva to the £ and the present official rate is 375-400 leva. But since almost no business can be transacted at this rate, compensation trade is allowed. The premium is officially limited to 35 per cent. (i.e. 540 leva), but this premium is in fact exceeded. Reichsmarks are still rated at the old rate of 33 leva = Rm. 1, which would give a cross-rate of about Rm. 16½ = £1.

Greece is the only one of the Balkan countries that has admitted a large depreciation of its currency. The pre-crisis rate was 375 drachmæ to the £ and the present official rate is 540-55 drachmæ. Sterling can, however,

only be obtained from the National Bank as supplies are available and a small premium is charged. The Reichsmark rate, which was 18½ drachmæ before the crisis, is now about 42½ drachmæ, which corresponds to a cross rate of about Rm. 12.75 to the £.

The rate of exchange with Yugoslavia before 1931 was 274½ dinars to the pound. The official rate to-day is 210 dinars; this reflects an "official" depreciation of sterling of only 23½ per cent., reflecting the fact that some depreciation of the dinar has been admitted. But even so the rate does not permit much business to be done and a so-called free market rate of 262 dinars applies to the bulk of trade with Great Britain. A third special rate has recently been established for sales of sterling obtained by the export of turkeys; but this should rather be regarded as a disguised subsidy to the turkey-breeders than as a rate of exchange.

Finance and Banking

Bills at Poverty Rates.—The abnormal dearth in Treasury bills foreshadowed in *The Economist* of December 24th last is now making itself felt with a vengeance. Since the beginning of the year the total of outstanding bills issued by tender has fallen by £92 millions. Over the corresponding week of 1938 the reduction amounted to £65 millions only. Even more drastic has been the fall in the amount of bills obtained this year by the discount market syndicate. Taking the syndicate's weekly quota as being £30 millions, and adjusting this figure to the weekly proportionate allotment at the lowest tender figure accepted by the Treasury (this is always the syndicate figure), the amount of Treasury bills at present outstanding and issued to the discount market syndicate has fallen by £55,800,000 since the beginning of the year. Last year the fall in "syndicate bills" over the corresponding period amounted to £44,400,000. These reductions—and specially that for the current year—when measured in terms of the normal flow of Treasury bills to the discount market are far more severe than the reductions in the total of tender bills outstanding. One of the results of this dearth of bills has been to accentuate competition to a point at which the profit on turning over or running Treasury bills has virtually vanished. Last Friday the syndicate raised its price for the Treasury bills from the previous figure of £99 17s. 5d. to the maximum figure of £99 17s. 6d. This meant that the bills obtained by the market were discounted at a rate barely one-sixty-fourth over ½ per cent. Of £1,000,000 of bills so obtained the profit on resale to a clearing bank at the minimum rate of ½ per cent. would be slightly under £30. Similarly, if £1,000,000 of these bills were run for three months with ½ per cent. money the profit for the whole operation would again be under £30. As last week's syndicate allotment was only 25 per cent. the whole discount market obtained about £7,500,000 of Treasury bills, on which the profit would work out at £225. This is indeed a lean period for the discount market—as such. The Defence estimates for next year, however, provide some ground for the hope that this dearth in bills may prove to be a temporary phenomenon.

* * *

New Zealand Exchange Position.—Some concern is being expressed in banking quarters at the apparent absence of any recovery in the overseas assets position of the Reserve Bank following the recent imposition of exchange control. The situation can best be judged by a glance at the accompanying figures showing the overseas assets of the reserve and trading banks from the seasonal peak of 1936 to the time at which exchange control was applied, and, after that time, the position of the Reserve Bank alone. The lesson of these figures needs no stressing. The first table amply illustrates the immediate need of drastic action to preserve what was left of the reserve of overseas assets. The second set of figures shows that as far

as the Reserve Bank figures are concerned (the trading bank figures are not available beyond the end of November) the control of exchanges has brought about no improvement in the position. The most obvious reason for this

NEW ZEALAND NET OVERSEAS ASSETS (in thousand N.Z. pounds)			
End of Month	Reserve Bank	Trading Banks	Total
April, 1936	23,738	21,461	45,199
April, 1937	20,309	16,284	36,593
April, 1938	18,327	10,290	28,617
November, 1938	4,808	3,073	7,881

RESERVE BANK			
	Gold	Sterling	
January, 1938	2,802	16,415	
June, 1938	2,802	16,609	
December, 1938	2,802	4,678	
January, 1939	2,801	4,113	
February 6, 1939	2,801	4,074	

lies in the fact that the control of imports did not become immediately effective, many transactions initiated before the restrictions were announced bringing their influence to bear on the Reserve Bank's figures during December and January. Another point to bear in mind is the fact that there has as yet been no settlement between the Reserve Bank and the trading banks in respect of sterling bought and sold by the trading banks against controlled exports and permitted imports. The problem of determining exactly what balance is due to or from the Reserve Bank in respect of such transactions is likely to prove extremely complicated, and its final solution is being postponed to a date as yet unspecified. This means that some of the sterling due to the Reserve Bank may have been piling up in the accounts in the trading banks. As far as may be judged from the experience of individual institutions however such accumulation is likely to have proved almost negligible.

* * *

A third factor in the exchange position was the repayment towards the end of January of the Dunedin 3 per cent. sterling loan which involved the outlay of £200,000 sterling. It would, however, be incorrect to assume that the whole or even a substantial part of this repayment was met out of the resources of the Reserve Bank. The experience of the trading banks suggests that the control scheme is working with reasonable efficiency, that it has effectively put a stop to the outflow of capital from New Zealand and that the machinery for the licensing of imports is beginning to function with far fewer creaks than had been expected. The reserve position of the Reserve Bank is approaching an extremely interesting point. The latest published return shows a reserve ratio of 25.04 per cent. According to the original Reserve Bank Act 25 per cent. was the minimum ratio, and any fall of the reserve below this figure entailed the payment of a

graduated tax and a compulsory increase of the official discount rate. Under the Act as amended in 1936 these "penalties" disappeared, but it still requires a special authorisation of the Government for the reserve to fall below the 25 per cent. figure.

* * *

The Forward Gold Position.—The embargo on forward gold operations is proving very effective if judged from the point of view of the liquidation of the position outstanding in London. Since the first week in January, when the embargo came into operation, resales of gold originating from maturing forward purchases have provided the principal element in the offerings of gold at the daily fixing. It is estimated in competent market circles that the outstanding gold position, which was around £40 millions when the embargo came into force, has now been reduced to some £15 millions. A further contraction in this total is expected to occur, though the figure is not likely to fall much below £10 millions, this being the volume of forward gold operations of a commercial character which, as the only available hedge against contracts invoiced in gold, do not fall under the embargo. Has the embargo justified itself? It has certainly reduced the speculative position against sterling. The forward position in gold was, however, not so much the symbol of a bearish view on sterling as a hedge against the risk of all currency depreciation. There is some evidence to suggest that part of these hedge operations has been transferred to Continental centres and especially to Amsterdam, and that Dutch banks, which have been considerable buyers of gold in the London market since the embargo came into force, are in fact providing facilities for forward operations—even though these may not have sterling as their counterpart. The result means a loss to the London market of the appreciable profits previously made on these operations. More

important, it means a diminution of the stock of gold in London to which the authorities could lay claim in a state of emergency. When the gold was held here for account of London banks and bullion dealers against forward sales of gold it was in fact part of the potential reserve of the authorities. That gold is being rapidly dispersed. Some of it is going to feed the stream of arbitrage gold flowing to New York. Some is being transferred to the ownership of Continental banks, which are providing forward gold facilities, and once in this ownership cannot be regarded as so readily at the disposal of the authorities as it previously was. The embargo on forward gold is achieving its immediate objective with conspicuous success. But when complete confidence in sterling has been restored there will be a good case for reconsidering it and for allowing forward operations in gold greater latitude than they at present enjoy.

* * *

Swiss Bank Corporation.—There is some evidence from the balance sheet of this bank as at December 31st last that the "hot money" which sought refuge in Switzerland in 1937 was partly withdrawn last year. Sight deposits are down from Frs. 946.5 millions to Frs. 868.7 millions, and the total of all deposits has declined by about Frs. 61 millions, which roughly corresponds to the reduction in the balance-sheet total. Cash, however, shows a rise from Frs. 377.5 to Frs. 463.1 millions, so that although balances with bankers are down by nearly Frs. 69 millions, a high degree of liquidity has been maintained. Advances show only a moderate decline, and the brunt of the reduction in deposits has fallen on securities, which are down from Frs. 124.1 millions to Frs. 88.4 millions. Interest payable on deposits shows a further fall from Frs. 12.1 millions to Frs. 10.5 millions,

SWISS BANK CORPORATION

(A COMPANY LIMITED BY SHARES, INCORPORATED IN SWITZERLAND)

**BASLE, ZURICH, ST. GALL, GENEVA, LAUSANNE,
LA-CHAUX-DE-FONDS, NEUCHÂTEL, SCHAFFHOUSE**

BIENNE, CHIASSO, HERISAU, LE LOCLE, NYON, AIGLE, BISCHOFZELL, LES PONTS, MORGES, RORSCHACH, ZOFINGUE

Chairman of Board of Directors: MAX STAEBELIN

London Office: 99 Gresham St., E.C.2

West End Branch: 11c REGENT STREET, WATERLOO PLACE, S.W.1

BALANCE SHEET 31st DECEMBER, 1938

LIABILITIES		ASSETS	
	S. Fcs.		S. Fcs.
Share Capital	160,000,000	Cash	463,099,162
Reserves	32,000,000	Banks and Bankers	229,031,434
Sight Deposits	868,679,511	Bills Receivable	154,315,847
Time Deposits	199,449,909	Short Advances	18,298,254
Fixed Deposits (Obligations)	150,082,984	Advances to Customers, etc.	449,627,622
Acceptances	30,824,542	Government and other Securities	88,401,392
Profit	10,029,946	Syndicates	14,206,380
		Bank Premises and other Property	34,086,801
	S. Fcs. 1,451,066,892		S. Fcs. 1,451,066,892

PROFIT AND LOSS ACCOUNT for the year ended 31st DECEMBER, 1938

DR.		CR.	
	S. Fcs.		S. Fcs.
Interest Paid	10,459,029	Balance from 1937	1,574,185
General Expenses, allocation to Pension Fund, Taxes, etc.	26,616,174	Interest received	21,147,975
Provision for bad and doubtful debts	2,899,797	Discounts	9,099,312
Net profit available	10,029,946	Commissions	11,662,260
		Coupons, Foreign Monies, etc.	6,521,214
	S. Fcs. 50,004,946		S. Fcs. 50,004,946

At the General Meeting to be held on the 24th February, 1939, the Board of Directors will propose to pay a dividend of 5 per cent. (same as for 1937) and to carry forward Frs. 2,029,946.

and this decrease has enabled the bank to show a small increase in net earnings of nearly Frs. 500,000.

* * *

Bank of Nova Scotia.—The dependence of Canada's prosperity on conditions in the United States was emphasised by Mr J. A. McLeod, the president, in his speech at this bank's annual general meeting. But he also pointed out that Canadian business activity showed a remarkable resilience in the face of lower commodity prices and the big fall in exports to the United States, so that the depression in Canada was comparatively moderate. This he attributed to the natural lag between reduction in export receipts and recession in domestic business, which

postponed the full effects of American conditions until fairly late in the year. The improvement in the United States in the summer, therefore, came at an opportune moment for Canada, for it brought with it firmer commodity prices and checked the decline in export trade. The subsequent recovery has been less pronounced than in the United States, but Mr McLeod considers that, if the revival in that country continues, the outlook for Canada is quite favourable. The bank's accounts for 1938 show that, in spite of the depression, profits would have been £73,000 higher than in 1937 had it not been for an increase of £75,000 in taxes. The reason for the maintenance of profits is the increase of approximately \$11,000,000 in deposits, which at \$253,291,054 are at the highest year-end figure in the bank's history.

MONEY MARKET NOTES

Foreign Exchanges

BUSINESS during the past week has been very restricted, with interest chiefly centred in the belga and the guilders. Last Saturday the selling pressure to which the belga had been subjected since the announcement of the Belgian Government's resignation was outbalanced by covering operations by bears, who were reluctant to leave their speculative positions open over the week-end. But, as no solution to the political difficulties had been found by Monday, the selling pressure was renewed and continued until Wednesday afternoon. On Tuesday the rate touched 27.83, closing at 27.80½, but the next day it showed an appreciation of 1½ c. in favour of the belga, and the firmer tone was maintained on Thursday. Guilders were also easier during the early part of the week, but the selling pressure was too small to justify the big movements that took place in the rate. Swiss francs have continued to be firm. Sterling has been rather erratic. The announcement on Wednesday afternoon of the Government's intention to double their borrowing powers for defence was immediately followed by a relapse in the sterling-dollar rate, which had till then been steady at around 4.68½. Some official support was given, but the pressure proved to be light and the Control's operations were probably on a very small scale. The closing rate of 4.68½ showed a fall of ½ c. on the day. On Thursday the rate was maintained at around 4.68½ for the greater part of the day; but in the afternoon New York came in as a buyer of dollars on rather a large scale, and the Control was forced to give a considerable amount of support to sterling. Forward premiums, however, were virtually unchanged.

*

The Bank Return

SOME of the extra notes issued in the previous two weeks have now returned, but the contraction only amounts to £1.8 millions and the note circulation is thus still very nearly at the level of last year's. The chief feature of this week's Return is the increase in bankers' deposits. These have benefited not only from the reduction in the note circulation but also from a rise in Government securities of nearly £5 millions, while the fall in public deposits to their level of a fortnight ago suggests that the rapid inflow of revenue is not being allowed to cause any immobilisation of

credit. It is worth noting that bankers' deposits at £110.5 millions are now over £4 millions higher than at the same time last year and nearly £20

	Feb. 16, 1938	Feb. 1, 1939	Feb. 8, 1939	Feb. 15, 1939
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.				
Gold.....	326.4	126.4	126.4	126.4
Notes in circulation.....	474.1	471.9	475.0	473.2
Banking Dept.				
Reserve.....	53.0	55.2	52.3	54.2
Public Depts.....	15.8	12.3	15.3	12.5
Bankers' Depts.....	106.4	108.3	103.9	110.5
Other Depts.....	35.5	37.1	35.5	35.5
Govt. Secs.....	97.9	77.9	77.6	82.5
Discounts & Advances.....	6.2	21.3	20.6	18.1
Other Secs.....	18.8	21.4	22.4	21.9
Proportion.....	32.6%	35%	33.7%	34.1%

millions higher than in 1937. A small increase in the coin and bullion holdings, together with the return of notes, has brought the Reserve up to £54.2 millions, and the proportion has risen to 34.1 per cent.

*

The Money Market

IN a Financial Note the effect of the reduction in the supply of bills on the discount market's profits is discussed in detail. The drastic step taken at the Treasury Bill tender on February 10th, when the syndicate raised its bid to £99 17s. 6d. in order to obtain a larger quota, was successful in that a quota of 25 per cent., the highest since January 6th, was obtained; but the level of the bid involves forgoing almost all profit on either running the bills or selling them to the banks. The average rate at which the bills were allotted fell as a result of the syndicate's action to 10s. 1.41d. per cent., which is the lowest since last May. The fact that the market was taking up a larger quantity of bills this week has not, however, led to any expansion in business. A few March and April maturities have been sold to the

	Feb. 17, 1938	Feb. 9, 1939	Feb. 16, 1939
	%	%	%
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	1½-5½	5½
Discount Rates:			
Treasury bills.....	1½	1½	1½
Three months' bank bills.....	17½-9½	1½-17½	1½-17½

* 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.

clearing banks at ½ per cent., but the market is very loth to part with its bills, and the clearing banks are consequently refraining from pressing their demands.

Competition for commercial paper remains very keen, and the competitive rate for the three months fine bank draft is slightly under ½ per cent.

Credit conditions have been very comfortable, although bond money has been rather more usable and borrowers have sometimes had to pay ½ per cent. for fresh advances for the night. As indicated by this week's Bank Return, the clearing banks have been well supplied with funds and no calling-in has been evident.

*

The Bullion Market

THE turnover at the fixing has been on the small side every day, and on Tuesday only amounted to £293,000, which, excluding Saturdays, is the smallest this year. There has been little evidence of any hoarding demand, and the bulk of the small quantities offered has been taken for arbitrage, in spite of the increase in the premium over the American shipping parity on Saturday and Wednesday. On the latter day, resales on the liquidation of forward contracts were very small, and the Exchange Account was called upon to supply the greater part of the demand; this it was only prepared to do at a price which caused the premium to rise to just under 1d.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. count *	Amt. dealt in †	Cash	Two Mths.
1939	s. d.	pm	£'000	d.	d.
Feb. 10 ..	148 3½	1½	419	20½	19½
" 11 ..	148 5	1 pm	392	20½	19½
" 13 ..	148 4½	1½	531	20½	19½
" 14 ..	148 3½	1½	293	20½	19½
" 15 ..	148 4	1 pm	440	20½	19½
" 16 ..	148 4½	1½	587	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.

Last Saturday keen demand for cash silver from bears raised the price ½d. to 20½d., the forward price being only ½d. higher. On Monday the cash price again rose ½d., and as the forward price was ½d. lower, the premium for cash silver widened to ½d. For this movement the renewal of bear positions in forward silver was mainly responsible; but on Tuesday the premium attracted swap transactions, and the cash price declined ½d., while the forward rose ½d.

Investment

Gilt-Edged and Defence.—Investors have been prepared for an increase in the Government's defence borrowing powers for some three months. But though the doubling of the limit to £800 millions already seemed inevitable, the actual announcement this week could not be translated into a bull point for the gilt-edged market. The arguments in a leading article on page 329 show that heavy borrowing for defence will be inevitable in 1939-40. Whether it will be so heavy that increases in taxation will be avoided is, however, open to question, particularly since well over half of the remaining borrowing powers could easily be absorbed next year if the Chancellor took the so-called lenient view. It is hardly to be supposed that the investor will be freed from the financial effort which re-armament entails in two years' time; hence the presumption that higher taxation will be coupled with increased borrowing appears to be strong. The timing of the new defence financing, however, during the forthcoming year is of great market importance. If the borrowing should amount in total to, say, £300 millions, it is obvious that the money market should be given the opportunity (which it would welcome) of absorbing an appreciable part of the amount in the form of increased tender issues. As for the long-term market, it is equally obvious that the placing of anything like £100 millions—or even more—of new securities would require much more persuasion by the Treasury than it has been compelled to exercise since 1932. To suppose that, because the money is not immediately required, the authorities may hold their hand in raising the loan is at least contrary to precedent, for the original issue of £100 millions 2½ per cent. Defence Bonds was made in April, 1937, while the £80 millions 3 per cent. Defence Loan was raised in June last year. Thus the former quickly followed the passing of the Defence Loans Act, while the latter waited only for the conclusion of the Budget debates. Last year's loan was significantly priced to produce success, though in the process it acted as a depressing influence upon existing securities. The Treasury can no longer count upon the Departments to act as temporary holders of a new stock issued at a fine price. Nor can it wish to give away any unnecessary concessions to the investor. Some preparation of the market may, therefore, provide a signal when the Treasury is likely to act.

* * *

Sharepushing Bill Third Reading.—On Tuesday evening the House of Commons gave third reading to the Prevention of Fraud (Investments) Bill, after considering amendments on the report stage. The Bill has raised unusual drafting difficulties, since freedom for *bona fide* business sooner or later provides loopholes for the sharepusher. A new clause, which provides an amended version of Clause 1, appears at least to remove some of the individual difficulties in the case of persons who, from the point of view of sharepushing, were quite above suspicion. Thus the restrictions of the Act are not to apply to transactions by recognised Stock Exchange members or dealers, the Bank of England, statutory corporations, etc., industrial and provident societies, and approved trustees or managers of unit trusts. Dealings with such bodies do not come within the scope of the Bill, nor are transactions with the holder of a principal's licence to be taken into account in deciding any question of contravention of its clauses. Again, dealings between principals are now subject to special reservations. A further clause was approved under which the Board of Trade shall not grant permission to deal in securities unless the sum of £500 has been deposited. The adequacy of the sum was questioned in the debate, but, in the Government view, a larger figure might act as a deterrent to honest but small dealers. If the Board of Trade is satisfied that the applicant has been carrying on the business of dealing in securities since the beginning of 1939 and that a £500 deposit would constitute an undue hardship, it may exercise its discretion to waive the deposit. Further amendments giving the Registrar power

to wind up an industrial provident society (in order to save something promptly from a threatened collapse) and also to enable the Board of Trade to obtain particulars of "half-commission" agents were also made. On the whole, the individual grievances under the earlier drafts of the Bill have been reasonably met without reopening the door to the sharepusher. They have, however, entailed additional burdens for *bona fide* investment dealers and investment advisers, who will hope that the Board of Trade, in return, will concentrate upon prompt and effective prevention of palpable sharepushing frauds.

* * *

Great Western Disappointment.—The Great Western dividend came as a shock after the excellent Southern and L.M.S. statements earlier last week. For the first time since the "grouping," the company has failed to pay the 3 per cent. ordinary dividend necessary to maintain full trustee status for its prior charges. Throughout the depression, the company's reserves were freely drawn upon to provide this minimum, and in 1937, for the first time since 1930, it was exceeded by a distribution of 4 per cent. Despite the tenor of the interim statement, and of the course of traffics, some optimists still hoped for the minimum 3 per cent. Actually, the ½ per cent. dividend declared was less disappointing than the fact that only ½ per cent. had been earned. The full accounts show that the dividend was actually short-earned by £164,493, for £100,000 has been appropriated from contingency fund, while the carry-forward is reduced by £64,493. The directors' decision to suspend the over-distribution policy followed in the last depression is an admission that circumstances to-day no longer justify an equalisation policy, and that 3 per cent. cannot be regarded as the mean earning potentiality of the company over a normal trade cycle.

* * *

The full accounts show a fall in net railway receipts from £6,318,018 to £4,636,144, but the disappointing net revenue figures were also depressed by the fall in ancillary earnings. Net ancillary receipts, as the following analysis shows, actually fell by £132,984 to £14,100.

	1936	1937	1938
Gross railway receipts ...	26,729,440	28,110,846	26,829,140
Railway expenditure.....	20,814,141	21,792,828	22,192,996
Net Receipts:			
Railway.....	5,915,299	6,318,018	4,636,144
Docks, etc.....	119,701	342,382	202,128
Other ancillaries.....	Dr.111,788	Dr.195,298	Dr.188,028
Net operating receipts ...	5,923,212	6,465,102	4,650,244
Miscell. revenue (net) ...	391,617	421,403	393,509
Net revenue	6,314,829	6,886,505	5,043,753
Debt interest, etc....	1,649,818	1,649,832	1,649,848
Prof., etc., dividends.....	3,344,699	3,344,699	3,343,749
Ord. dividend	1,287,892	1,717,189	214,649
Do. per cent....	3	4	½

Carried forward..... £76,793 £151,578 *£87,085
* After crediting £100,000 from contingency fund.
† £1,737,800 recoverable from rates appropriated direct to contingency fund. ‡ After charging £100,000 for appropriation to new works, revenue proportion suspense.

BRITISH GENERAL SERIES 'C'

A Unit Trust comprising Shares of 27 leading Industrial Companies. Purchase price around 15/6 returns gross yield approximately 5½%

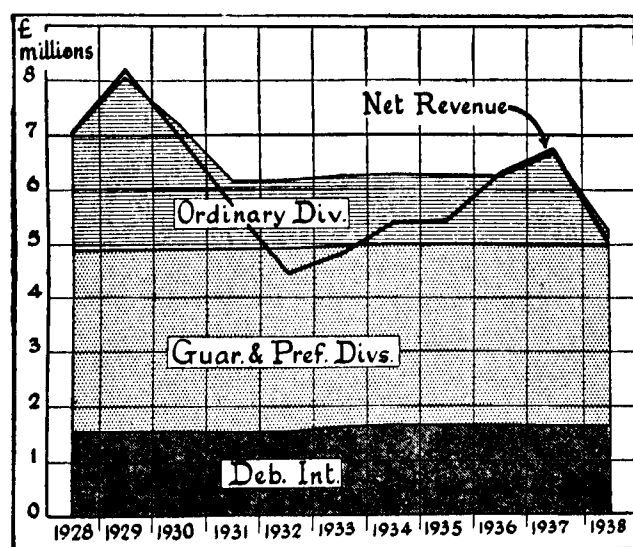
Trustees:
GENERAL ACCIDENT FIRE & LIFE ASSURANCE CORPORATION, LTD.

Managers:
BRITISH GENERAL FIXED TRUST LTD.,
36/37 King Street, London, E.C.2

GREENWOOD

The course of net revenue for the past eleven years is charted below:—

G.W.R. NET REVENUE 1928-38



South Wales coal exports slumped badly in the second half of 1938, and net receipts from docks, harbours and wharves, which are almost entirely dependent upon the coal trade, fell by no less than £140,254, mainly in the second half-year. On the railway side, a heavy fall occurred both in the number of passengers and in the volume of goods carried, but these losses were partly offset by the increased charges introduced in the last quarter of 1937. Thus, the number of ordinary passengers carried fell by 7.71 per cent., but receipts were only 0.38 per cent. lower. Total gross receipts fell by £1,281,706. On the other hand, expenditure increased by £400,168. In the first half-year, however, costs rose by £522,000, so that the company evidently achieved considerable saving in the second half-year. The full year's increase for wages was only £250,000. Coal cost £70,000 extra, and "other material" increased by a similar amount. Thus 1938 goes on record as the year in which Great Western lost the cachet of full trustee status for its prior charges, but their retention in the Chancery List should be within the company's power.

L.M.S. Accounts.—The full L.M.S. accounts show how elasticity of control can offset reduced traffic. Interest in the 1938 accounts, in fact, centres largely on the expenditure items for this reason. On the railway side, there was a saving in costs of £241,902, and on ancillaries a saving of £98,147. The total saving of £340,000 is a remarkable achievement in view of the fact that increased rates of wages and prices of materials accounted for £1,400,000 in the full year. The biggest saving was in wages. The restoration of the wage cuts in August, 1937, together with adjustments in the "cost of living" scales would normally have cost the company some £900,000 more, compared with 1937. Instead, there was a saving of £20,000. This was not achieved mainly by reducing staff. The average number of employees, it is true, fell by 1,508, but this would not account for more than one quarter of the amount saved. It is clear, therefore, that the management has achieved substantial savings in the expensive items of overtime and extra duty arrangements. Moreover, an actuarial review of the superannuation fund has provided a saving of £218,940. The section chiefly affected by the rise in labour costs, locomotive

and traffic expenses, has avoided a potential increase in costs of £1,740,000, partly owing to reduced traffic. Instead, therefore, of a big increase in costs, the rise is limited to £62,845, and there was an actual reduction in wage costs of £74,000. Moreover, instead of a big increase in fuel expenses (apart from electric current which cost £22,895 extra), there was virtually no change in cost, since engine mileage fell by 3 per cent. and the company was thus able to conserve expenditure. Maintenance of permanent way and rolling stock (items which vary little with changes in the volume of traffic) actually cost the company £76,593 less.

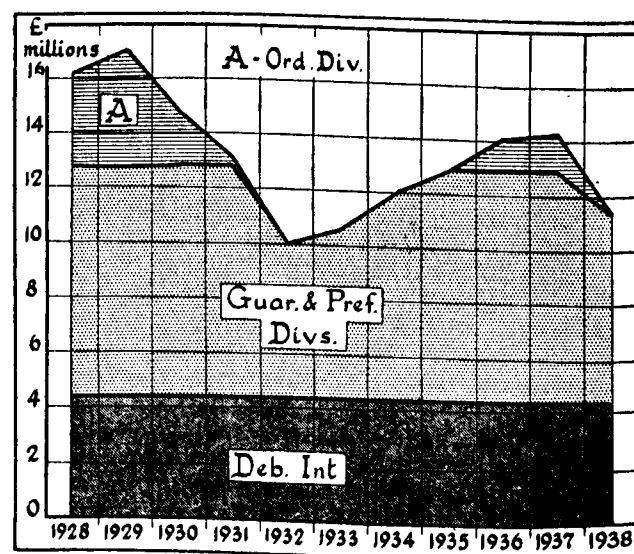
These savings are impressive, and as a result, net revenue shows a fall of £3,010,756 at £11,345,520, an amount which is sufficient to meet the first and redeemable preference dividends in full, and leaves £37,326 to be added to the carry-forward, as the following table shows:—

	1936	1937	1938
Railway gross receipts.....	64,462,842	67,234,080	64,212,115
Railway expenditure	51,211,001	53,597,673	53,355,771
Net railway receipts	13,251,841	13,636,407	10,856,344
Net ancillary receipts	307,690	229,521	Dr. 53,109
Net miscellaneous receipts	488,645	490,348	542,285
Net revenue.....	14,048,176	14,356,276	11,345,520
Debt interest.....	4,439,170	4,439,170	4,439,170
Guar. and pref. divs.	8,474,383	8,474,383	6,869,024
Ordinary div.	1,190,031	1,428,037	Nil
Do. (%)	1½	1½	Nil
Carried forward	79,083*	93,769	131,095

* £3,180,000 in respect of rates recoverable 1931-34 transferred direct to contingency fund.

Distributions during the past eleven years are shown in the following chart:—

L.M.S. DISTRIBUTIONS 1928-38

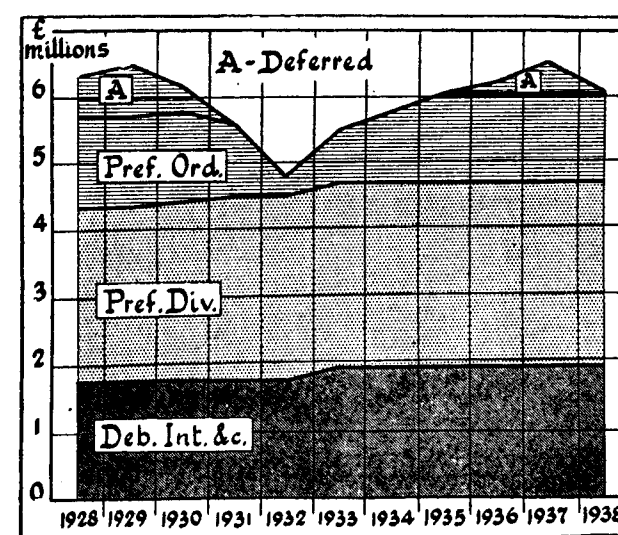


Ancillary earnings, it will be seen, proved rather disappointing, for the deficit of £53,109 showed a fall of £282,630 compared with the previous year. Only two items showed an improvement. These were canals and air services and the improvement was in each case small. Steamboat net earnings fell by £97,608, docks by £60,335, and hotels by £22,098, while the usual heavy deficit on the collection and delivery of parcels was increased by £109,280, to £571,261. On the other hand, miscellaneous net receipts rose by £51,937, to £542,285, partly through increased earnings on joint lines, which benefited from the adjustment of pooling settlements and from credits for rates and rate relief. Since the report refers to "further fructification of economies in working," L.M.S. stockholders should expect to reap immediate advantage from any improvement in traffics.

Southern Railway Results.—The Southern Railway accounts fortify the satisfactory results shown by last week's dividend statement. Net revenue was only £610,220 below the record 1937 figure, and represents 4.52 per cent. on the preferred stock, which is receiving the full 5 per cent. dividend. The reason for these surprisingly good results lies, of course, in the unpredictable buoyancy of ancillary earnings, which actually show a net improvement of £18,106. The full results for the past three years and distributions since 1928 are analysed in the following table and chart:—

	1936	1937	1938
Gross railway receipts	21,256,414	22,113,580	22,012,051
Railway expenditure	16,474,211	17,243,732	17,736,373
Net Receipts:—			
Railway	4,782,203	4,869,848	4,275,678
Steamboats	101,059	337,542	397,672
Docks, etc.	357,653	379,444	336,789
Other ancillaries	32,407	30,253	30,884
Net operating receipts	5,273,322	5,617,087	5,041,023
Miscellaneous revenue (net)	952,838	935,037	900,881
Net revenue	6,226,160	6,552,124	5,941,904
Debt interest	1,943,167	1,943,167	1,943,167
Guar. and pref. divs.	2,751,278	2,751,278	2,751,278
Pref. ord. div.	1,379,330	1,379,330	1,379,330
Do. per cent.	5	5	5
Def. ord. div.	157,451	472,354	Nil
Do. per cent.	½	1½	Nil
Carried forward	220,809	226,804	94,933

SOUTHERN RAILWAY DISTRIBUTIONS 1928-38



The rise in ancillary receipts occurred despite the fact that in the previous year the company benefited greatly from the extra coronation traffic. The compensating factor appears to have been the favourable rates of exchange on the Continent, as a result of which gross receipts from steamboats rose by £74,555, most of which was retained net, since in this type of business costs are not substantially affected by changes in the volume of traffic. This more than offset the fall of £42,655 in net dock receipts. This fall was mainly attributable to the smaller volume of traffic passing through Southampton, and the chief items in which receipts declined were dues for ships and receipts from the use of graving docks and crane services. Hotel earnings were naturally lower, but on the other hand, the collection and delivery of parcels earned more—the Southern is the only one of the four companies which makes a profit on this type of business. On the railway side, expenditure rose by £492,641, mainly due to locomotive and traffic expenses, the former being £217,323 higher, and the latter £165,060 higher. The increase in the cost of maintenance of the permanent way and of rolling stock was £107,009. Of the total increase in costs, some £275,000 appears to be attributable to the increase in the cost of labour resulting from the restoration of the wage cuts in August, 1937, but the bulk of the increase

occurred in the first half-year—actually the increase in the second six months was limited to £37,641. The reduction in steam engine mileage during the year was more than offset by the increase in electric train mileage—a fact which suggests that the company is taking full advantage of electrification by providing better services and affording greater inducements to travel.

Courtaulds' Lean Year.—The suggestion, made in *The Economist* of July 16th, last year, that the Courtaulds' dividend for the full year 1938 might be well under half the total for 1937 has proved true. The dividend has, in fact, been reduced from 10½ per cent. to 4 per cent. The interim dividend statement disclosed that the 1½ per cent. distribution had not been fully covered by earnings, but the preliminary profits figures for the full year show that actual earnings for 1938 amounted to less than ½ per cent. for the ordinary stock. Profits, after taxation, fell precipitately from £2,373,892 to £352,265, and the amount earned for the ordinary stock from £1,973,892 to £62,265. In these circumstances, the decision of the directors to draw on stocks and insurance reserves not required to make the 4 per cent. payment is significantly generous. They point out, in fact, that but for the need for heavy provision against raw materials (especially wood pulp) last year, substantially better profits would have been shown. The following table analyses the results of the past three years:—

	Years ended December 31	1936	1937	1938
Profit after tax		2,296,458	2,373,892	352,265
To pensions, etc.		100,000	100,000	...
Preference div.		305,000	300,000	290,000
Ordinary stock—				
Earned		1,891,458	1,973,892	62,265
Paid		1,881,000	1,890,000	696,000
Earned %		10.3	11.0	0.4
Paid %		9½*	10½	4
Special credits.....		...	...	Cr. 621,938
Carry forward		212,749	296,641	284,844

* Of which 2½ per cent. interim tax free.

It is a sobering reflection that the net revenue from the company's holdings of gilt-edged and other investments (amounting to £15½ millions), on the basis of an over-all rate of 3½ per cent., would have provided some £387,000—an estimate which suggests that after making the special stock provisions, trading operations as a whole may have been conducted at a loss last year.

There are, however, several pointers which suggest that, while 1938 proved an abnormally disappointing year, the company has not suffered a permanent loss of earning power. Apart from the dividend decision itself (a pointer of importance from so conservative a board) the discussions between the Courtaulds and British Celanese boards have resulted in an "arrangement" which should lead to greater stability on a somewhat higher price level for viscose and acetate yarns than prevails at present. This, it would seem, may be an interim arrangement, for the statement indicates that it has been made pending the outcome of negotiations between the two companies. The recent reopening of the Leith mill, coupled with improvement in the American market are further pointers towards

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.

OTARD'S EST. 1795
 V.S.O.P.
LIQUEUR BRANDY
 MATURED AND BOTTLED AT CHATEAU DE COGNAC

recovery in the current year, which should bear none of the special cost burdens of 1938. A dividend yield of no more than £3 1s. 6d. per cent. on the ordinary stock, after its recovery this week to 26s. 9d., suggests that some degree of improvement during the current year is already discounted—Courtauld's ordinary stock has always stood high in relation to actual earnings. But that fact, of itself, does not rule out the possibility of further improvement, if the present symptoms of recovery have a chance to mature.

* * *

Imperial Tobacco Position.—The full accounts of Imperial Tobacco add little to the rather meagre information already supplied in the preliminary statement. Total profits amount to £10,685,053, against £10,750,609, and (as explained in *The Economist* of January 28th) this trifling decline can be more than accounted for by higher taxation requirements. Since 1934-35 total profits have varied by no more than 5 per cent. But since the depression tobacco consumption has been rising, and stability of profits appears to be due to the combined effects of increasing costs, the company's stock equalisation policy, and its practice of disclosing profits after unstated inner reserves. The balance sheet, in fact, though it might be more instructive, does provide signs of growth which has been barely reflected in the profit and loss accounts of recent years. Leaf and other stocks, which now account for almost half the total assets, rose from £35,841,542 to £40,286,140 last year. This is an increase of as much as 12½ per cent., but on the reasonable assumption that the company's pre-eminent position in the industry is being maintained, the need for larger physical stocks to meet expanding demand, coupled with the small rise in leaf prices in 1937-38, would account for a sizeable increase. Buildings and plant are some £568,000 higher at £5,747,000, and net interests in subsidiaries and associated companies have risen from £13,053,000 to £14,264,000. On the liabilities side creditors have increased by 2 per cent. to £18,614,000, but as this is an "omnibus" item, including contingencies, provisions against stock value and taxation, and trade creditors, it is impossible to interpret this small change. The shareholder must perforce await Lord Dulverton's survey of the company's trading position and prospects on February 21, but there is nothing in the report which suggests any major changes in earnings during the current year.

* * *

Yorkshire Electric Expansion.—By a steady expansion of operations, Yorkshire Electric have attained a fresh record in total income, which for 1938 exceeds that of the previous year by the satisfactory margin of 11 per cent., and amounts to £1,468,988 against £1,314,926. In 1937 the increase in receipts by no means kept pace with the higher output, but last year's satisfactory results have accompanied an increase in sales to consumers of no more than 5 per cent., while output for the grid was actually lower by nearly 10 million units. But although total output rose by only 2 per cent., generation and distribution expenses increased by about one-fifth, largely because of a rise in fuel costs from £264,330 to £335,140. Among general expenses, taxes and rates required £18,000 more, and the revenue account includes a new item for pensions.

NORANDA MINES, LIMITED DIVIDEND NOTICE

Notice is hereby given that an interim dividend of \$1.00 per share, payable in Canadian funds, has been declared by the Directors of NORANDA MINES, LIMITED, payable March 15th, 1939, to shareholders of record at the close of business February 22nd, 1939.

By order of the Board. J. R. BRADFIELD,
Toronto, February 7th, 1939. Secretary.

The recent course of profits and expenses is summarised in the following table:—

	Years ended December 31		
	1936	1937	1938
Total receipts	1,162,237	1,314,926	1,468,988
Generation, etc., expenses.....	310,147	388,648	475,040
Management, etc., expenses ...	237,063	274,255	311,919
Plant renewals fund	65,000	75,000	105,000
Contingencies	20,000	20,000	...
Debt service	59,399	62,843	79,082
Preference div.	74,252	73,035	70,600
Ordinary stock—			
Earned	396,376	421,145	427,347
Paid	152,500	150,000	145,000
Earned % (a)	20.8	22.5	23.6
(b)	9.3	10.7	8.1
Paid %	8	8	8
Deprecn. and res. fund	220,000	260,000	280,000
Carry forward	*83,970	95,115	97,462
Units sold (000's): C.E.B. ...	90,250	136,245	126,653
To consumers	366,158	415,542	437,980

(a) Rate earned before, and (b) rate earned after charging depreciation and reserve fund allocation.

* After £10,000 to staff fund.

As the undertaking has grown, the provision for depreciation and reserve has increased, and for 1938 it absorbs roughly two-thirds of the balance of net earnings. Progress has been made with extensions at the Ferrybridge power station, as a result of which capital expenditure during 1938 amounted to no less than £1,020,618, compared with £463,456 in 1937. The process of development, however, is to continue, and since existing borrowing powers are now exhausted future requirements are being met by an issue to shareholders of 824,600 £1 ordinary shares, in the proportion of one new for five preference or ordinary £1 units, now held, at 30s., against a current market price of 35s. 6d. Since borrowing powers are limited to one-half of issued capital, this share issue will also permit the placing of further debentures. The need for replenishing cash resources to meet new capital expenditure is underlined by the balance sheet, which shows an excess of current liabilities over liquid assets of £142,000. The company has a steady dividend and generous depreciation record, and the £1 units yield £4 10s. 9d. per cent.

* * *

Ismay Industries Reorganisation.—The position of Ismay Industries provides yet another example of rapid growth and extreme diversification of business which have been followed by financial Nemesis. During the latter part of 1938 the original board was largely replaced, and shareholders were informed that the company's affairs were to be investigated, and that investment losses were known to have been incurred. In December it was announced that certain interests were sold and a capital reorganisation was anticipated. This week the report for sixteen months to October 31, 1938, has been issued, which does not refer to the reorganisation. A subsequent circular, however, states that total losses are about £700,000, of which £600,000 will be met by writing down the 5s. ordinary shares to 1s. each and the balance found from reserve. Total profits for the 16 months were £39,429, against £68,144 for a full year, and, in addition to ordinary expenses and interest, a charge of £39,610 for investment losses is involved. There remains a net loss of £31,104, against a net profit of £52,384, and although a year's preference dividend of £15,257 has been paid from a special reserve, no distribution for the six months to December, 1938, is proposed. Since the issue of the previous balance sheet the Sterling Batteries, Britannia Electric Lamp Works, and Ismay Cables interests have been sold (the last named at a loss); but a holding of more than one million ordinary shares (out of a total of two million shares) is still retained in A. C. Cossor, Ltd. After these changes, however, the gross book value of interests in subsidiaries

and associated companies is increased from £1,010,042 to £1,570,387—the over-valuation of certain of these holdings is, of course, the immediate cause of the proposed reorganisation. A new item in the balance sheet is a bank loan of £152,317 (apparently now reduced to £100,000), though the directors' report points out that the various sales effected since June, 1937, reduced the debt to the bankers by about £500,000. The production side of the business continues to develop, but the need for the simplification which the new board is trying to attain is shown by the existence in July last of over seventy allied companies. The group's position, however, cannot be fully understood until the nature of the losses and full details of the coming scheme are available.

* * *

Lancashire Electric Report.—In 1937, the Lancashire Electric Power Company increased its sales by more than 20 per cent. Last year the increase was at the moderate rate of 14 per cent., but for a period of acute depression in the cotton industry this scale of expansion is nevertheless creditable. It is evident that the reduction in charges which became fully effective in 1937 has produced further benefits, although the average receipt per unit sold shows no change during the year at .574d. The profits of the Power company and of the Holding company are analysed in the following table:—

	Years ended December 31		
	1936	1937	1938
Power Company—			
Units sold (exc. C.E.B.)	369.7	449.0	511.4
Units sold to C.E.B.	183.9	341.6	266.5
	£	£	£
Receipts (exc. C.E.B.)	946,559	1,071,741	1,223,475
Receipts from C.E.B.	103,611	214,346	189,291
Expenditure	627,105	784,290	862,363
Trading profit	423,065	501,797	550,403
Depreciation	113,000	182,000	213,500
Income Tax	25,797	31,808	37,200
Carry forward	8,078	5,290	6,218
Balance†	288,296	295,258	301,080
Holding Company—			
Income	301,607	308,584	314,369
Deb. service and expenses.....	71,067	70,053	70,502
Fixed pref. dividends.....	87,879	87,004	85,473
Surplus	142,661	151,527	158,394
Partcg. and ordinary divs. ...	118,188	150,000	145,000
Ordinary stock—			
Earned %	9.1	7.6	8.2
Paid %	7½	7½	7½
Carry forward	5,641½	7,169	20,563

† Available for parent company after crediting interest and adjusting carry-forward.

‡ After £40,000 to reserve.

The trading profit of the Parliamentary company shows an increase from £501,797 to £550,403, the bulk of which, as in previous years, has been applied to strengthening the depreciation provision. Including the debenture redemption provision of the Holding company and the small addition carried forward of the Power company, the total sum set aside is not far short of £225,000, compared with approximately £190,000 in the previous year. Further extensions which the group has carried out at the Kearsley power station and to the operating company's mains, however, justify this more generous depreciation programme. It

would seem, in fact, that the 7½ per cent. ordinary dividend is now covered satisfactorily by "true" earnings. The £1 ordinary stock units stand at 30s. 7½d., to yield £5 1s. 3d. per cent.

* * *

The Week's Company Profits.—Net profits of companies reporting this week have reached the high total of £17,102,000, largely owing to the inclusion of the Imperial Tobacco results. Our usual analysis of profit and loss accounts on page 378 covers 58 companies (apart from those for which comparable figures are not available), among which utilities and miscellaneous industrials are well represented. The week's total is 1 per cent. lower than the £17,316,000 earned by the same companies in the previous year, while the aggregate net profits of 254 companies reporting in 1939 to date amount to £37,680,000, against £39,656,000, a decline of 5 per cent. We discuss the week's results in preceding Notes and on page 360 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—Sir David Milne Watson, at the *Gas Light and Coke Company* meeting, disclosed that during the past year the company had been using coal purchased under contracts dating from 1935. The heavily increased cost to-day had therefore compelled the increase in the price of gas. The chairman of the *Hungarian Commercial Bank of Pest* discussed the re-discount policy of the bank last year, by which credits granted to public authorities and private undertakings had been maintained, despite the withdrawal of deposits. Mr Cyril W. Black, at the *Temperance Permanent Building Society* meeting, disclosed that the society's reserve and carry forward were equivalent to over 19 per cent. of the combined share and deposit capital. Baron d'Erlanger showed that the depreciation of the investments of *Sterling Trust*, after deducting free reserves, was less than 2 per cent. At the *Beira Railway* meeting, Baron d'Erlanger disclosed that net receipts for October and November amounted to £90,900, compared with an exceptional figure of £106,800 for the corresponding months of the previous year. General merchandise traffic had so far been well maintained. Mr Frank H. Jones stated that the increase of 0.4d. per therm announced by the *Wandsworth and District Gas Company* would involve a reduction of ½ per cent. in the statutory dividend and corresponding reduction in the co-partners bonus next year. The issue of £350,000 non-interest bearing notes was discussed by Mr Robert Sweeney at the *South Banket Areas* meeting. The first milling unit is anticipated to be in operation in about eighteen months. Mr George Balfour disclosed that *Power Securities* had over £1½ millions of unfilled contracts at the end of 1938. The Chairman of *General Investors and Trustees* pointed out that the net depreciation of investments, allowing for reserves, was barely 5 per cent. Mr Richard Guinness referred hopefully to the prospective maintenance of the *Railway Debenture and General Trust* dividend. At the *Railway Share Trust and Agency* meeting, Mr Guinness referred to the proposed change of name of the company to "Share and General Investment Trust." Mr H. Eric Miller disclosed that the standard production of the four estates owned by *Bah Lias Rubber* amounted to 7,009,104 lbs.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
FEBRUARY 21 FEBRUARY 23

DULLER and quieter conditions prevailed on the London Stock Exchange for the first part of this week and no section succeeded in producing real activity. Contrary to expectations, however, the publication of the defence

White Paper recording the extension of defence borrowing to £800 millions (discussed on pages 329 and 353) acted as a moderate stimulus to business on Thursday. Turnover was higher, and prices, where changed, showed improvement.

Gilt-edged opened easier following the White Paper on Thursday, but improved during the day. Falls were limited on balance to no more than ½. A less satisfactory response had been anticipated on Wednesday evening, and

Thursday's comparative steadiness provided a marked contrast to the indifference and apathy earlier in the week. Further improvement occurred in the New Zealand stocks of which the market supply was short.

In the *foreign bond* market, Japanese issues responded to the American sinking fund operation with some sharp mid-week rises. European issues became firmer, but further selling of Brazilian bonds marked disappointment on continued absence of any debt offer.

WEEKLY AVERAGES

	1939		Feb. 1, 1939	Feb. 8, 1939	Feb. 15, 1939
	Low	High			
347 Ind's. ...	103.2	114.5	105.3	107.4	106.9
32 Rails	27.0	32.5	27.7	28.5	27.9
40 Utilities ...	80.3	85.2	81.8	85.2	84.2
419 Stocks ...	87.4	95.6	89.0	91.1	90.5
Av. yield *	3.71%	3.31%	3.65%	3.55%	3.57%

* January 11th.
† 50 Common Stocks. † February 8th.

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

Feb. 9	Feb. 10	Feb. 11	Feb. 13	Feb. 14	Feb. 15
120.0	120.1	121.2	closed (a)	120.5	120.7

1939 High: 130.3 January 4th. Low: 112.5 January 26th.
(a) Lincoln's birthday

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds 8000's	
Feb. 9	550	5,230	115
" 10	440	4,870	89
" 11*	320	2,830	69
" 13	(a) closed	(a) closed	(a) closed
" 14	420	5,130	105
" 15	500	4,630	118

* Two-Hour Session. (a) Lincoln's Birthday

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
February 18	Nil	Nil	Nil
To the Public ...	390,000	...	390,000
To Shareholders	Nil	...	Nil
By S.E. Intro. ...	200,000	...	3,500,000
By Permia. to Deal	...	...	...
Sav. Certs., week ended Feb. 11	Dr. 150,000	...	Dr. 150,000

Year to date	Including Conversions	Excluding Conversions
1939 (New Basis)	23,267,844	23,267,844
1938 (New Basis)	40,562,680	29,738,183
1939 (Old Basis)	15,142,080	15,142,080
1938 (Old Basis)	29,965,570	18,141,073

Destination
(Excluding Conversions)

	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
Year to date			
1939 (New Basis)	15,992,052	7,275,792	Nil
1938 (New Basis)	23,102,759	6,805,319	30,105
1939 (Old Basis)	11,681,288	3,460,792	3
1938 (Old Basis)	15,045,598	4,095,475	Nil

Nature of New Borrowing
(Excluding Conversions)

	Deb.	Pref.	Ord.
Year to date			
1939 (New Basis)	12,578,483	1,214,516	9,474,845
1938 (New Basis)	15,865,290	1,787,383	12,085,510
1939 (Old Basis)	11,344,500	548,000	3,249,580
1938 (Old Basis)	12,123,277	845,000	6,172,796

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

Westminster Press Provincial Newspapers.—Particulars of issue of £500,000 5 per cent. debenture stock. Redeemable by 1959 by drawings at par from 1940; or on notice from 1954. Controlled companies publish 40 newspapers. Acquired in March, 1938, Westminster Press, Ltd., whose combined profits are, for 52 weeks to end March: 1936, £91,573; 1937, £99,239; 1938, £101,320. Purchase

price was 500,000 5 per cent. £1 preference and 499,997 £1 ordinary shares; goodwill value, £441,931.

BONUS SHARES

United Automobile Services.—This company is proposing to distribute a bonus of one new £1 ordinary share for every seven ordinary held.

BY TENDER

Bilston Gas Light and Coke Company, Ltd.—Sale by tender up to 3,530 £5 "B" shares (to realise £30,000) at a minimum of £8, yielding at that price £5 12s. 6d. per cent. Net revenue year to September 30, 1938, £16,082, or £13,796 after interest.

ISSUES TO SHAREHOLDERS ONLY

Waddon Investment Ltd.—Issue to Town Investments shareholders and company's debenture holders of £40,000 5 per cent. debenture stock at par. Ranks with £160,000 already issued. Redeemable at par December, 1965, or from 1960 on notice. Estimated book value net assets, March, 1939 (available as security on £45,000 mortgage and £200,000 debenture stock), £465,000. Profits, period to March, 1938 (before interest), £22,785.

South Bank Areas.—Offer at par (to members of company and Gold Coast Bank Areas) of £350,000 non-interest bearing 5-year registered convertible notes. Unsecured. Redeemable February, 1944, at 125, or earlier on notice. Convertible before 1941 at 1,000 2s. shares per £100 notes, or thereafter until 1944 at 800 shares. Owns mining concessions over 7,061 acres. Present ore reserves, 622,300 tons of 5.65 dwts. over 42.4 ins. With 180,000 tons a year from first unit, working costs of 20s., gold at 140s., recovery of 5 dwts., working profit would be £135,000.

Yorkshire Electric Power Company.—Issue of 824,600 £1 ordinary at 30s., in proportion of one for every five held by existing ordinary and preference shareholders.

Richard Thomas and Company.—This company has issued a further £253,000 4½ per cent. redeemable prior lien mortgage debenture stock. This raises the amount outstanding to £2,786,410.

SHORTER COMMENTS

Company Results of the Week.—PETER WALKER (WARRINGTON) & ROBERT CAIN AND SONS repeat the 7½ per cent. dividend, although trading profits and dividend from the subsidiary are reduced by £16,000 and £10,000, respectively. Further evidence of a decline in profits in the boot and shoe trade is reflected in the J. SEARS AND COMPANY (TRUE FORM BOOT COMPANY) accounts, which show a drop in net earnings from £262,369 to £232,455. Trading profits of D. NAPIER AND SON are more than 75 per cent. higher at £103,006, and ordinary dividends are being resumed with a 5 per cent. payment. Most branches of the textile trades continue to show considerably reduced profits. FLEMING, REID AND COMPANY, after earning £130,419 against £155,099, are reducing their dividend from 17½ to 13½ per cent. MERCANTILE INVESTMENT AND GENERAL TRUST have experienced some drop in revenue, but it is satisfactory that the valuation of securities shows a small appreciation above book values. A sharp rise in total profits, from £56,568 to £151,963, is

recorded by BIRMINGHAM RAILWAY CARRIAGE AND WAGON. Heavy advertising expenses and a higher bonus to the trade have resulted in a drop in BOVRIL net profits from £295,058 to £267,223. BORAX CONSOLIDATED report that prices and home demand remained steady, but that shrinkage in foreign markets has reduced total profits by about £80,000 to £481,515. The satisfactory impression given by the ENGLISH ELECTRIC preliminary results is confirmed by the full report; trading profits of £667,603 compare with £552,185. A considerable rise in turnover has yielded WM. P. HARTLEY, LTD., a 22 per cent. increase in net profits to £77,688, although rising costs reduced profit margins. A small but satisfactory increase in net profits is shown by MATHER AND PLATT. Stability of profits is also shown by SOUTHALLS (BIRMINGHAM), LTD., but the tax free dividend is raised from 20 to 25 per cent., while in 1937 a 5 per cent. cash bonus was paid from profits on investments.

MISCELLANEOUS

Canadian Pacific Railway.—The railway is passing the dividend on its £28,203,477 4 per cent. non-cumulative preference stock. For the previous year 2 per cent. was paid. The board has announced that while earnings were sufficient to meet all expenses and charges, including depreciation and taxes, with a modest surplus, the directors have considered it inadvisable to declare a preference dividend in view of the serious decline in the net results for 1938 as compared with 1937.

London Power Company.—Output of the company's stations increased by 2.14 per cent. in 1938. Excluding the Central Electricity Board's portion, the demand has risen by 10.42 per cent. Gross revenue is £209,093 higher at £3,794,522. Generation and maintenance expenses at £1,810,341 compare with £1,669,619. Transmission expenses, £26,653; rents, rates, etc., £246,578; general expenses, £68,976; debenture interest, £834,558. To reserve fund, £10,000 (same). Fixed 6 per cent. dividend, £3,000 (same).

Phoenix Oil and Transport Company.—A scheme of arrangement in order generally to improve the company's position, has now been settled and will be brought before the High Court with a view to its being submitted later to shareholders.

Transvaal Gold Output.—January, 1939: Witwatersrand, 1,009,986 fine ounces; outside districts, 28,731 fine ounces; total, 1,038,717 fine ounces. Total output, December, 1938, 1,026,229 fine ounces. Number of natives employed, January, 1939: Gold mines, 316,822; coal mines, 16,460; total, 333,282.

Walker (Peter) and Cain (Robert) and Sons.—Total income, 1938, £534,420, against £560,394. Ordinary dividend, 7½ per cent., as before. To general reserve, £50,000 (£60,000); improvements, £25,000 (£30,000); staff fund, £10,000 (same). Carry-forward raised from £99,436 to £103,719.

Harrods, Ltd.—A preliminary statement shows net profit for year to January 31, 1939, £708,191, against £788,802. Preference dividend, £300,000 (£300,000). Ordinary dividend 16 per cent., absorbing £354,431 against 16 per cent., plus a bonus of 2½ per cent., absorbing £409,811. To special reserve, £20,000 (£40,000). Carry-forward reduced from £189,749 to £183,509.

Evans (D. H.) and Company.—Net profit for year to January 31, 1939, £143,800, a rise of £6,022. Dividend raised from 12 to 13 per cent. To N.D.C. reserve, £8,000 (£6,000). Carry-forward reduced from £36,681 to £30,301.

John Barker & Co. Ltd.—Profits for year to January 31, 1939, £347,941 against £344,817. Dividend, 15 per cent. as before. To buildings reserve, £100,000; plant, etc., £25,000. Carry forward £190,379, against £189,651.

Lewis's, Ltd.—Profit for year to February 1, 1939, £791,553, after debenture interest, comparing with £808,006.

(Continued on page 374)

Industry and Trade

Slump in the Cotton Trade.—The past year was a bad one for the cotton trade. According to provisional estimates of the Joint Committee of Cotton Trade Organisations, the output of cotton yarn was only 1,050 million lbs. compared with 1,350 million lbs. in 1937. Production of piece-goods reached the record low of 2,700 million square yards, a fall of a quarter on 1937, and equivalent to only 45 per cent. of the 1924 output. The number of insured workers continued to decline and the average rate of unemployment was 27 per cent., although by the end of the year employment had recovered from its summer depths to the level of February. By far the greater part of this decline was in the export trade. Declines of 50 to 75 per cent. were recorded in exports to some countries, including French and British West Africa, Switzerland, Holland and the Dutch East Indies, whilst the U.S.A., Ceylon, Malaya, New Zealand and Argentina imported from 20 to 40 per cent. fewer British cotton goods than in 1937. The home market, on the other hand, showed greater powers of resistance, the decline in commercial demand being to some extent balanced by an increased volume of Government orders. Rough estimates suggest that finished goods to the amount of £40 millions were produced for the home market or added to stocks last year, compared with £50 millions in 1937 and £40 millions in both 1934 and 1935. As a result, the proportion of output exported has continued to fall and is now probably under half, compared with two-thirds or more before the Great Depression.

* * *

Rubber Quota Unchanged.—The price of rubber has recently fallen below eightpence per lb., partly because the possibility of an increase in the rubber quota for the second quarter of this year prompted consumers to buy "from hand to mouth." Uncertainty has now been removed by the decision of the International Rubber Regulation Committee (announced last Tuesday) to leave the export quota unchanged for April-June at 50 per cent. of the agreed basic tonnages. The market quickly responded by raising the price of rubber (standard smoked sheet) from 7½ pence per lb. on Monday to 8½ pence per lb. on Wednesday. Apart from the fear of an increase in the quota, the market in rubber, like those in other raw materials, had been depressed by the slowing-down of recovery in the United States and by doubts concerning the optimistic forecasts of probable consumption across the Atlantic this year. Actually, the supply-demand position in the rubber market is quite strong, for the prompt action of the International Rubber Regulation Committee prevented the accumulation of stocks last year. As a result of the reduction in the export quota from 60 per cent. to 45 per cent. in the third and fourth quarters, world stocks of rubber fell from 556,039 tons at the end of July to 456,865 tons at the end of December, when they were equivalent to only 6.1 months' consumption at the rate of intake in the twelve preceding months. In consequence of the rapid reduction in stocks during the second half of last year and because of the prospect of a further expansion in consumption (especially in the United States) in the current year, the Committee decided in December to increase the quota for the first quarter of this year to 50 per cent. of the agreed basic tonnage. Even if consumption does not expand further in the spring, stocks will probably continue to decline with a 50 per cent. quota. A revival of confidence in the United States, therefore, might induce a sharp advance in prices, though, by fore-shadowing a substantial increase in the quantity to be released in the third quarter, the Regulation Committee could, and in that case should, prevent an unhealthy boom on the market.

Five Years of the Milk Marketing Board.—The Milk Marketing Board has much on which to congratulate itself in its review of the first five years of its existence. It began operations in October, 1933, when the market for liquid milk, supplied by the unco-ordinated efforts of about 145,000 farmers, was threatened with a rapid breakdown of such organisation as had been evolved owing to the falling prices for dairy produce and the steady increase in supplies. In the space of five years the Board has provided the industry with an orderly and unified control over marketing; it has found regular outlets for a considerably larger supply of milk; by advertisement and propaganda it has helped to raise the consumption of liquid milk by 10 per cent.; it has co-operated to establish the schemes for cheap milk in schools and in some distressed areas; it has encouraged the production of better and cleaner milk so that in 1938 nearly half of the total output was produced under an "Accredited" licence, and the average returns to the dairy farmer have been raised by more than 1d. per gallon since 1933-34. In its functions as the representative of the producers, charged with the furtherance of their common interests, the success of the Board is undoubted, and its existence in some form or other has come to be regarded as essential to the dairy industry. The criticism which the public has against the Board—the unwisdom of giving to a producers' monopoly the complete control over not only the wholesale but also the retail prices of an essential foodstuff—should be more properly directed against the framers of the original scheme, who neglected to set up the independent central committee recommended by two reorganisation commissions. But it must be admitted that the opposition led

RENT your new factory
BUILT TO YOUR REQUIREMENTS
with coal, iron and steel on the spot

CAPITAL ASSISTANCE

WEST CUMBERLAND offers you the following exceptional advantages if you select it as a location for your new factory: plentiful labour, skilled and unskilled, male, female and juvenile. Foundries working the purest hæmatite in the Empire, producing pig iron and steel of all grades, and forgings. Manganese deposits in the area. Coal of all grades for engineering. Abundant lime. Water—soft water—in plenty: waterside factory sites. Good ports—good transport facilities. Magnificent country—mild climate—sporting amenities.

ADD TO THESE the unique facilities now offered by the Government. Your factory planned and built for you to your requirements, and rent only (on a non-profit basis) charged. Substantial assistance with capital. Contributions towards Rent, Rates, Income Tax and N.D.C.

Full information from
The West Cumberland
Industrial Development Co. Ltd.
1 Scotch Street, Whitehaven

West
Cumberland

by the Milk Marketing Board to the establishment of such a body proposed by the now defunct Milk Bill is not likely to increase the public's confidence in the ability of the Board to look beyond the narrow interests of the producers it represents.

* * *

Overseas Trade in January.—There was little change between December and January in the monthly totals of the value of overseas trade; the value of imports increased by £1.4 millions and the value of British exports declined by £1.7 millions. Owing to the sharp

U.K. IMPORTS AND EXPORTS

(£000)

	1937	1938	1939	Change between 1938 and 1939
<i>January</i>				
Total Imports	75,713	84,880	75,570	-9,310
British Exports	39,101	41,183	39,480	-1,703
Re-exports	5,076	4,801	4,596	-205
Total Exports	44,177	45,985	44,076	-1,909
Excess of Imports over Exports	31,536	38,895	31,494	-7,401
Transshipments under bond	2,942	2,833	2,813	-20

fall in values between December, 1937, and January, 1938, the figures for January, 1939, show a smaller proportionate decline than those for December, 1938, when compared with the corresponding months a year ago.

* * *

Overseas Trade by Commodities.—The improved prospects in the wool and jute trades in the last few weeks resulted in an increase in January in the imports of their raw materials. Imports of some non-ferrous metals were also larger than either a year or month ago, but the volume of imports of most of the commodities

RETAINED IMPORTS—MONTH OF JANUARY

Item and Measure	1937	1938	1939
Wheat	5,286	6,561	6,821
Beef and veal	1,177	1,087	1,070
Mutton and lamb	595	568	558
Sugar (unrefined)	3,888	4,011	4,086
Iron ore and scrap	472	838	1,358
Raw cotton	1,375	1,463	1,035
Sheep's and lambs' wool	766	655	1,035
Flax, hemp and jute	59,707	41,646	43,996
Crude petroleum	51,067	48,834	43,646
Hides, wet and dry	101	111	103
Wood pulp	143	168	161
Rubber	—6	346	18
Unwrought copper	22,025	27,173	21,431
Pig lead	35,093	41,955	38,542
Tin: Ore and concentrates	3,237	3,532	4,978
Blocks, ingots, slabs and bars	720	—	404
Iron and steel manufactures	83	308	67
Machinery	10,091	10,524	8,513

If you're in for
a Cold—
go out for
BOVRIL
or better still—
Always keep Bovril in the house

BRITISH EXPORTS—MONTH OF JANUARY

Item and Measure	1937	1938	1939
Coal	2,987	2,983	2,777
Iron and steel scrap	33,074	1,815	25,756
Pig-iron and ferro-alloys	13,796	13,274	7,143
Railway materials	17,968	13,247	8,369
Total iron and steel manufactures	215,030	191,161	120,020
Textile machinery	4,810	7,663	5,168
Total machinery	30,095	41,534	33,224
Cotton yarns	13,761	10,718	12,896
Cotton piece-goods	160,635	138,175	121,045
Wool tops	4,466	2,500	2,847
Worsted yarns	2,430	1,708	2,475
Woolen tissues	7,848	6,663	6,107
Worsted tissues	3,980	3,765	3,210
Linen piece-goods	9,398	5,834	6,041
Leather boots and shoes	27,746	34,398	19,864
Leather	29,558	14,522	19,337
Paper and cardboard	371,788	348,580	290,124
Locomotives and parts	1,831	1,924	1,097
Motor vehicles and chassis	8,871	8,275	6,516

listed in the first table were smaller in January than in the corresponding month of last year. Exports of textile products, both piece-goods and yarns, increased between December and January, but, compared with a year ago, exports of wool tops, worsted and cotton yarns, linen piece-goods, leather and iron and steel scrap were the only items in the second table to show an increase in January.

* * *

Wholesale Prices again Lower.—The general trend of the wholesale prices of commodities sensitive to changes in market psychology remained downwards during the past fortnight. Consumers have shown no anxiety to increase their stocks of materials, pending signs of the resumption of the upward trend of business activity in the United States. *The Economist's* indices of the prices of primary products in this country and in the United States showed a decline during the past fortnight, and the fall in the prices of basic raw materials is reflected in the more comprehensive *Economist* and Irving-Fisher indices for Britain and the United States respectively. On the other hand, the index for Germany remained unchanged, and the official figure for France registered a slight rise.

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)	American (dollar)					
1936 Dec. 30	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4
1937 Dec. 29	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0
1938 Jan. 2	125.1	143.1	138.7	164.5	120.3	138.1	142.5	97.2
Mar. 30	122.7	127.0	129.3	164.6	117.7	139.4	141.7	97.1
Apr. 27	121.4	137.8	127.5	164.3	116.9	139.0	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
Aug. 3	119.2	138.0	127.1	167.2	117.4	144.6	142.4	97.5
Aug. 31	116.5	133.5	125.0	168.6	116.8	144.9	143.7	97.3
Sept. 28	116.2	134.8	127.0	173.0	116.6	146.0	144.2	97.0
Oct. 26	116.1	134.9	127.0	171.6	116.6	147.8	145.1	97.3
Nov. 23	114.3	132.6	126.0	175.7	116.7	148.7	143.8	97.7
Dec. 21	113.7	132.4	126.5	175.7	115.6	148.7	144.0	97.8
1939 Jan. 4	114.7	134.8	127.5	177.1	116.0	151.2	144.3	98.0
Jan. 18	113.8	132.6	126.7	175.1	115.7	151.6	144.7	98.0
Feb. 1	113.8	132.5	125.9	175.1	115.7	152.7	...	97.9
Feb. 15	113.6	132.4	124.1	174.6	115.3*	153.5*	...	97.9*

* These figures relate to February 11th. † Monthly average.

Details of the constituent series of *The Economist's* complete index for this country are given below:—

(1927=100)	Sept. 18, 1931	Feb. 16, 1938	Feb. 1, 1939	Feb. 15, 1939
Cereals and meat...	64.5	89.4	69.1	68.3
Other foods	62.2	59.6	58.2	59.5
Textiles	43.7	57.7	53.0	52.7
Minerals	67.4	94.7	91.1	90.4
Miscellaneous	65.8	78.5	74.6	74.4
Complete index	60.4	75.5	68.7	68.5
1913 = 100	83.1	104.0	94.5	94.3
1924 = 100	52.2	65.2	59.4	59.2

With the exception of that relating to other foods, the group indices for February 15th are all lower than a fortnight ago. Among important commodities, wheat sugar and non-ferrous metals were cheaper, while rubber and jute were slightly dearer.

Strong Demand for Cobalt.—One small result of the recent intensification of armament production in nearly every country has been the remarkable expansion in the demand for cobalt. This metal is used largely as an alloy in steel cutting and shaping tools, and the demand for it in the metal trades has now far outstripped its use in the ceramic and glass industries, which provided for centuries the bulk of the demand. The price of cobalt rose sharply after 1934; during 1938 it remained unchanged at 8s. per lb., but was raised in the middle of last month to 8s. 6d. per lb., nearly double the level prevailing at the beginning of 1934. This rise has occurred in spite of a very large increase in production, which is now probably twice as large as it was five years ago. Output in Northern Rhodesia

(where the cobalt mining rights are owned by the British South Africa Company) increased from 1.9 million lb. in 1937 to 3.2 million lb. in 1938, and the output of both the Union Miniere du Haut Katanga, operating in the Belgian Congo, and of the mines in French Morocco is known to have largely expanded in the last few years. Canadian production, mined by the Deloro Smelting and Refining Company, increased from 507,064 lb. in 1937 to 549,982 lb. in 1938. The companies in these four territories—Belgian Congo, Northern Rhodesia, French Morocco and Canada—are co-operating in an International Cobalt Association, whose efforts to keep supplies and demand in equilibrium have so far been nullified by the rapidly increasing demand for cobalt.

INDUSTRIAL REPORTS

THE demand for house coal has declined with the rise in the thermometer, but on the whole the offtake remained satisfactory. But not all districts are equally busy, and the report from our Cardiff correspondent is anything but cheerful. The output of coal showed a slight increase during the week ended February 4th, but at 4,935,000 tons, was 187,000 tons below production in the corresponding week last year. The latest reports from iron and steel centres point to a gradual improvement, but the volume of forward purchases is not yet heavy. Activity in the tinplate trade has shown a welcome expansion. The majority of textile trades have experienced an expansion in demand. Even in the cotton industry the flow of new business has increased.

Coal

Sheffield.—While demand generally is fair, the milder weather has caused some decline in household purchases. Steam raising coal moves moderately, but many collieries have a surplus of smaller grades. Demand for gas coal is rather smaller, and deliveries to electricity works are lower. Consumption of blast-furnace coke shows some expansion, but the demand is easily met. Business in coke for domestic uses is fairly good.

Export business continues unsatisfactory, but there are prospects of improvement next month when the scheme for the co-ordination of district prices comes into operation. This has been sought by Midland collieries, which have been adversely affected by the disparity between Midland prices and those quoted by Scottish and north-eastern collieries.

*

Newcastle-on-Tyne.—The North-East coal market is steady for prompt shipment, and buyers are now becoming more interested in forward business. German orders for both steam and coking coal have been booked at prices slightly below current quotations. The Northumberland steam coal market remains firm, large coals being very scarce with smalls and sized steams moving more readily in the home market. Durham grades are fairly steady, unscreened gas coal being firm, but in the coking and bunker sections there still remain some weak spots. There is no inquiry for patent oven coke, the only deliveries that are taking place being against old contracts.

*

Glasgow.—Despite the coming of milder weather there has as yet been

little easing in the Scottish coal position. Output, which is substantial, is still being readily taken up in most grades of fuel, for while demand for current consumption in the home market tends to taper off somewhat, there remain heavy deliveries to make good the recent depletion of stocks. This especially affects house coal, only the inferior qualities of which are at all freely offered. In addition there has this week been a welcome expansion in export business, mainly on Scandinavian account and affecting chiefly the smaller sizes of nuts. This has now, however, slowed down a little owing to some divergence in views on prices.

*

Cardiff.—Coal shipments at the South Wales docks continue inactive; in the week ended February 11th they totalled only 252,300 tons, compared with 323,700 tons in the previous week and 378,420 tons in the corresponding week last year. Current demand is far below the authorised export and inland trade quotas, and there has been considerable part-time working in the coal-field.

Some further contracts for forward deliveries have been placed, but advices have been received of active Belgian competition in the Portuguese and other markets. Exporters are also complaining of continued delays on the part of French authorities in carrying out the terms of the agreement of December 10th, both as regards the placing of contracts for supplies to the railways and public utility undertakings and the arrears under the coal-pitwood barter agreement. Stocks of all classes of large and ordinary small coals are very heavy, but there is a scarcity of dry steam washed and sized grades. Prices are unchanged.

Iron and Steel

Sheffield.—No great change has occurred in the iron and steel market this week. Business in forge and foundry pig iron continues limited, and relates mostly to small lots for early delivery. Forward business is unimportant. The full make is not going into consumption, with the result that furnaces are adding to stock.

Trade in basic steel billets shows some improvement, and small steel bars are more freely inquired for. This applies also to strip and bright drawn steel.

More steel furnaces are now operating in this area, and the call for high-class steel is considerably better.

Middlesbrough.—The tone of the iron and steel market is firm. Cleveland foundry pig iron is in better supply, but stocks at makers' yards are light. On the other hand, consumers' requirements are only moderate, and they are not prepared to buy ahead. Scrap continues to be used at some foundries in place of pig iron. Imports of foreign iron have ceased. The heavy stocks of East Coast hematite pig iron are not diminishing, but the demand from local and Midland consumers is almost equivalent to the current production.

The sheet departments of the steelworks are active and light sections are in better demand. It is expected that the demand for structural steel will show a seasonal increase. Orders for shipbuilding steel are scarce. Steelworks are taking better deliveries of heavy steel scrap, and more cast-iron scrap is going into consumption. Foreign ore imports during the current month are equal to those of January, but are mostly coming forward under old contracts. New business is negligible.

*

Glasgow.—During the past two weeks there has been a definite improvement, although it is not yet such that all available plant can be operated profitably. While the improvement is to a large extent due to Government work, it is not wholly accounted for by it, other buyers having placed considerably more business than during the earlier part of the year. Steelmakers, re-rollers of sections and sheetmakers are all busy and will be so for some months on orders already booked. Clyde shipbuilders are hopeful that a good share of the Admiralty work yet to be allocated will come to them. It is announced this week that Messrs Wm. Denny and Brothers, Ltd., of Dumbarton, have received an order for two destroyers from the Turkish Government.

*

Cardiff.—There has been a decided improvement during the past week in the flow of business in the tinplate trade, and operations have been resumed at a number of mills. The spurt has not yet been reflected in the statistics of production, which for the week ended February 4th gave an output under the pooling scheme of 42.85 per cent. of capacity, compared with 57.51 per cent. in the corresponding period last year. Shipments last week were not quite as good as in the previous week, but stocks in warehouse and in vans totalled only 3,570 tons. The sheet and

other re-rolling sections of the industry are also more active.

★

News from Abroad.—A faint beginning of the spring revival has recently been perceptible on international steel markets. The tone on the markets is fairly optimistic, for uncovered requirements are considered to be quite substantial.

In Europe, Scandinavia and Holland have been in the market for medium tonnages, and inquiries from South America and the Far East have slightly increased. Prices have recently tended to rise and concessions on official quotations have diminished or vanished in several cases. On the other hand, competition from outsiders has increased and has caused some Comptoirs to take counter-measures on several markets. As regards American competition, it is remarkable that, whereas formerly the low offers came from producers who are not members of the understanding between the Continental Cartel and the American group, for some time producers who have signed the agreement have been undercutting official prices more or less openly. The recent reduction of the price of thick plates for the Swedish market from £5 12s. 6d. to £5 (gold) per ton is a reflection of these developments. Competition from Australian and Swedish producers has recently been noticeable in a few cases.

Meetings of several Comptoirs recently took place in Cologne. The Thin Sheet Cartel discussed questions of outside competition and price infringements by members. Thin sheet prices for South Africa and some neighbouring countries have been reduced by about 2s. 6d. per ton. A statutory meeting of the newly formed Cartel for cold rolled hoops fixed definite prices for individual markets. The quotas have been distributed as follows: Germany, 53 per cent.; Belgium, 25 per cent.; France, 12 per cent., and Luxemburg, 10 per cent.

Textiles

Cotton (Manchester).—The better tone on the market has been maintained. Spinners and manufacturers have not been short of inquiry, and some fair contracts have been arranged, but in certain quarters trade has not expanded as much as expected. Many customers are not prepared to be committed to deliveries very far ahead.

Narrow fluctuations have again taken place in raw cotton prices. Operators are still harassed by the uncertainty concerning crop control in the United States. Preparations for next season are said to be well ahead and the area under cultivation will probably be between 25 million and 27 million acres.

Inquiry in the yarn market has continued on a larger scale. A feature of interest has been the decision of the Lancashire Cotton Corporation to advance prices for medium American ring yarns by 4d. per lb. It is understood that this action has been justified by the better order book compared with a few weeks ago.

The turnover in cloth has continued rather more encouraging, but practically all the sales have been in small lots. Rather more bids have been met with for India with irregular buying, chiefly in bleaching and printing styles. Some official announcement with regard to

the new India trade agreement is expected very shortly. Home trade purchases have continued better, and the turnover consisted of a wide range of goods.

★

Wool (Bradford).—There are signs of improvement. During the past fortnight a fair amount of new business has been placed, particularly at the raw and semi-manufactured end of the trade. Whether the fairly big purchases of tops were prompted by the conviction that prices had touched the bottom or by increased needs remains to be seen. Users have certainly covered forward requirements, and it now remains to be seen to what extent the purchases of wool and tops are taken up and passed into consumption. Some topmakers report having sold considerable weights, but adequate delivery particulars are not forthcoming. There are still orders for tops on the books of Bradford topmakers to-day which were placed fully two years ago, and there is little prospect of those contracts being liquidated.

Overseas markets have made progress during the past fortnight, and prices have turned against the buyer. There is much activity in Australia, and merinos are generally 5 per cent. dearer, while crossbreds are firmly held.

During the past fortnight the War Office has placed further orders with Yorkshire manufacturers, and some firms are busy supplying all classes of woven fabrics required on land and sea. The spring trade is opening out slowly, the dress trade undoubtedly being affected by steadily increasing imports of foreign-made goods.

THE COMMODITY MARKETS

CONSUMERS showed no inclination last week to cover their requirements farther ahead; consequently the general trend of the prices of primary products remained downwards. On the other hand, there were indications of a slight improvement in the United States, for Moody's index of the prices of staple commodities (December 31, 1931=100) rose from 142.9 to 143.5 during the week ended last Wednesday. A resumption of the upward trend of business activity across the Atlantic would be quickly reflected on the commodity markets in this country.

The feature of the past week was the rise in rubber prices after the announcement of the decision of the International Rubber Regulation Committee to leave the quota unchanged in the second quarter. The rubber position is discussed in a Note on page 316. Among non-ferrous metals, copper, lead and tin declined, but spelter remained unchanged in price. Raw cotton and wheat were also slightly cheaper, but raw sugar is scarcely changed on the week.

Metals

Copper.—The price of standard cash closed on Wednesday £1 down at £41 10s. per ton, the lowest level of the current year. Consumers' buying was at a very low ebb throughout the week, due chiefly to the uncertain political

outlook and a decline in European consumption. In addition the London market was depressed by the lack of demand in the United States, where consumption is restricted by the high domestic price of 11.25 cents per lb. According to the American Copper Institute, U.S.A. consumption reached 51,059 short tons in January, a rise of over 12,000 tons on the month and one of over 26,000 tons on the year. On the other hand, the extra United States consumption fell to 99,530 short tons, against nearly 115,000 short tons both in December and January of last year. This decline seems to be chiefly due to a temporary lull in armament purchases, so that it would be premature to draw serious conclusions from this movement. Production of copper has declined both in the United States and the rest of the world in the first month of the year as a result of the enforced restriction. Nevertheless, supplies still remained in excess of consumption, so that world stocks have risen further to 480,060 short tons at the end of January against 457,170 short tons one month ago and 505,970 short tons one year ago. If the recent trend of the market continues the copper quotas may be cut before long.

★

Tin.—The price of tin also declined by £1 to £212 15s. per ton. Although tinplate operations as well as the motor car output both here and in the United States have increased, the demand for tin shows a disappointingly low level. If the situation does not improve materially within the next three weeks an increase in the free market quota for the second quarter of this year can hardly be expected. The inability of the pool to sell has brought the tin price into a vulnerable situation in spite of the extremely strong statistical position of the product.

★

Lead and Spelter.—The price of lead closed only 1s. 3d. down at £14 3s. 9d. per ton, while spelter closed unchanged at £13 7s. 6d. per ton. Demand for these metals was also small, but sellers showed great reserve, as they expect not only a decline in production, but also an increase in demand for Air Raid Precaution purposes before long. In addition the favourable weather in this country will probably stimulate building within the next few weeks and the building industry is the largest purchaser of lead and spelter.

Grains

In spite of a considerable volume of buying on the wheat market, some of it believed to be on Government account, prices have tended to fall; the knowledge of large supplies in every exporting country has a depressing influence on world prices. Maize and barley prices have also declined in the past week, with a poor demand; the pressure of Plate supplies of barley and of the competition from cheap wheat continues to affect these markets.

Other Foods

Provisions.—The meat trade at Smithfield continues dull and demand is mainly for chilled and frozen meat. Egg prices continue their seasonal decline, but prices for butter and bacon remain unchanged.

(Continued on page 369)

COMPANY MEETINGS GAS LIGHT AND COKE COMPANY

REMARKABLE OUTPUT RECORD

SIR DAVID MILNE-WATSON'S ADDRESS

The two hundred and thirty-second ordinary general meeting of the Gas Light and Coke Company was held, on the 10th instant, at Gas Industry House, Grosvenor Place, London.

Sir David Milne-Watson, Bt., LL.D., D.L., the Governor, presided.

The Secretary (Mr Brian Wood), having read the notice convening the meeting,

The Governor commenced by expressing regret at the loss the company had sustained by the death of Mr Fooks, adding that his place had been taken by Mr C. W. L. P. Reed. He also referred with regret to the death of Mr Galbraith, the late Secretary.

Continuing, he said: Ladies and gentlemen, we will now take the accounts. On the capital account you will see that we have spent altogether £960,000, £17,000 of which was on land, £96,000 on buildings and machinery, £172,000 on mains and service pipes, £352,000 on meters, and £323,000 on appliances. Against these we have written off £838,000, making a net increase in capital of £122,000. During the year it has not been necessary for the company to issue any further stock.

RESULT OF YEAR'S WORKING

The result of the working of the year is as follows: The balance transferred from the revenue account to the net revenue account is £2,066,000, as against £2,050,000 for the previous year. This balance, after allowing for interest and dividends distributed in respect of the June half-year, leaves a sum of £802,000. This enables the directors to recommend the usual dividend on the 3½ per cent. redeemable preference stock, 1970, the 4 per cent. consolidated preference stock, and the 3½ per cent. maximum stock, and a dividend (unchanged) at the rate of £5 12s. per cent. per annum on the ordinary stock. The payment of these dividends, together with the necessary contribution of £20,000 to the redemption fund, will absorb £748,000, leaving £54,000 to be carried forward to the credit of the current year's accounts, as against £102,000 carried forward last year.

At the end of the year the directors found it necessary, with great regret, to announce a forthcoming increase in the price of gas. During the past year the company has been using coal purchased under contracts dated 1935. Since then the price of coal has risen substantially. Our former contracts have run out and our company has from now on to bear a very heavily increased cost. It is impossible to adopt the policy of allowing the coal industry virtually to impose what price increases it thinks fit, and then to complain when the costs of other things directly dependent upon coal rise too. The public has to pay in terms of the price of gas, of electricity, and of a vast range of industrial products in whose manufacture coal is an important factor.

You can imagine that it may be a temptation to put off the evil day by reducing some essential expenditure such as our provision for the proper maintenance and renewal of plant. But a company which takes that easy way out jeopardises its own future and paves the way for a slow decline that is certain, though it may not be outwardly visible. I am convinced that the directors' decision is the right one in the interest of continued efficiency in our operations and of the extension and ultimate cheapening of the vital service which we provide for the community.

Before leaving this question of the price of gas, let me put the whole matter in perspective once more by reminding you that our increase means an addition to the gas bill of the average London working-class household of 1½d. a week and of three-farthings a week to the Old Age Pensioner or anyone in similar circumstances. We have postponed the increase to the last possible moment, and during the recent cold spells the consumers have been getting gas at the old price, although we are paying more for the coal.

EFFECT OF WEATHER CONDITIONS

The year that has just closed was from our point of view a most extraordinary one. In March, and again in November, temperatures were quite abnormally high. I am satisfied from a study of the figures that in these temperature conditions a drop in sales of only a little over 1 per cent. shows that our business as a whole continues to expand.

In support of my view I may point to the remarkable output figures which were achieved during the blizzard just before Christmas, although the temperature and the conditions were by no means a record even in comparatively recent years. The figures of gas out-

put broke all records, on five consecutive days we beat our previous record day, and on Wednesday, December 21st, we reached the remarkable peak of 265,000,000 cubic feet, 17,000,000 cubic feet above our previous record, and by far the largest amount of gas ever supplied in a single day by any undertaking in the world.

The number of cookers, hotplates and gas rings in the district increased by over 42,000; fires, radiators, etc., by 23,000; water heaters by over 45,000; wash coppers by 16,000; and refrigerators by 11,000.

The technical development of gas central heating has proceeded rapidly in recent years, and with the coming of special tariffs, enabling gas to compete with other fuels, a considerable number of houses are now centrally heated by gas.

We put in new installations for Odhams Press, the *Daily Sketch* and *Daily Mirror*, which, added to those I have told you about in previous years, means that almost the whole of the great newspapers in London are now on our list. In addition, our successes cover such diverse buildings as 10 and 11 Downing Street, Sadler's Wells Theatre, Wembley Stadium, the Stock Exchange, the latest block of flats in Park Lane (Fountain House), the Office of Works building in Kingsway (Victory House), and last, and perhaps most notable of all, the new buildings erected by the Institution of Heating and Ventilating Engineers. This last is a tribute indeed. We need not look for any better evidence of the intrinsic merits of gas for central heating and central hot-water supplies, nor of the great field for development which awaits us, than the fact that a body of specialist experts in the heating of buildings and houses should have selected gas central heating for its own corporate use.

KENSAL HOUSE SCHEME

As you know, Kensal House is in one aspect a demonstration of what we consider to be the ideal fuel service for working-class dwellings. It was opened in the beginning of 1937 and during 1938 we have seen the idea begin to extend.

The London County Council have decided to conduct an important experiment on a large scale, based upon the Kensal House scheme, and, in addition, some 10 or 12 large private building estates have adopted the Kensal House system practically in its entirety, and estates built by the borough councils of Chelsea, Paddington, Stoke Newington, Islington and Westminster have adopted some of its most important features.

The smoke abatement campaign has achieved during the twelve months since I spoke to you a success which surpasses our expectations. We have had support from authoritative quarters in all parts of the country and are particularly gratified that the campaign earned the blessing of the Minister of Health himself, Mr Walter Elliot, and the leader of the London County Council, Mr Herbert Morrison, who expressed in the most direct terms the Council's resolve to do whatever it could, both as a great local authority and as one of the largest landlords in the country, to clean our skies and our homes.

A little later the First Commissioner of Works, Sir Philip Sassoon, reported in the House of Commons that Whitehall was no longer to be "Blackhall" and that every fireplace in the Government offices, as well as many of those in the House of Commons itself, were to be smokeless this winter. Smoke abatement is also one of the reasons why the Kensal House idea has been winning so ready an acceptance.

THE IMPORTANCE OF COKE

The past ten years has seen a very great improvement in the quality and standardisation of coke sold and also in the range and efficiency of coke-burning appliances. This progress is the direct result of technical research and marketing organisation carried out under the auspices of the London and Counties Coke Association.

As a result the production of coke for sale in the South has increased during this period by nearly 1,000,000 tons, representing some 2,000,000 tons of additional coal carbonised.

Perhaps it may not be out of place if I take this opportunity of offering to the great public authority under whose supervision we operate, the London County Council, our warmest congratulations on the jubilee which it will soon celebrate. The list of matters in which we and they have common interests and concern would probably surprise you by its length, and over this whole field of day-to-day discussion and co-operation there operates a spirit of practical good will, though neither party slackens its zeal for the proper performance of its own function.

In conclusion, the thanks of the directors are due to all grades in the company's service for their devotion to duty during the past year. The report and accounts were adopted.

An extraordinary general meeting was then held to consider a resolution approving the London Gas Undertakings (Regulations) Bill now before Parliament. The Governor, after briefly explaining the Bill, moved the resolution, which was seconded and carried unanimously.

TEMPERANCE PERMANENT BUILDING SOCIETY

A YEAR OF STEADY PROGRESS

The eighty-fifth annual meeting of the members of the Temperance Permanent Building Society was held, on the 15th instant, at the Memorial Hall, London.

Mr Cyril W. Black, F.S.I., F.A.I., the chairman, first explained the circumstances which had led to his occupying the chair. His predecessor in office, Mr William Bingham, J.P., had occupied the responsible position of chairman of the society since 1927 with conspicuous ability, but recently had asked his colleagues to relieve him of the office. It was impossible for him, the speaker, adequately to express their gratitude to Mr Bingham for his conspicuous service to the society; during his association with it, its position had been largely strengthened, and its activities and prestige greatly extended. They were all thankful that Mr Bingham was willing to continue as a director. During the year the society had sustained another great loss in the passing of Mr George Ernest Clarke, a director since 1900. Due to the retirement of Mr E. R. Musk, a joint manager and secretary, Mr A. W. Betts, F.C.I.S., had become general manager and secretary.

Continuing, the Chairman said: The year has been one of steady progress and we have continued to prefer the ways of safety and security and have withstood the temptation to plunge into the struggle for astronomical figures. The advances for the year amounted to £945,581, which, while not a record, closely approximates to the figures for the preceding year and under the circumstances I think it may be regarded as satisfactory. More than usual care had been applied to the scrutiny of applications for mortgages and where there had been an undue element of risk in business offered they had unhesitatingly rejected it. The total mortgage asset rose during the year by £303,324 and now stands at £6,023,909. Our borrowers have continued to meet their obligations in an exemplary manner and such losses as we have sustained have been of an almost negligible character.

The past year has seen a new beginning in the issue of shares, which has resulted in a net addition to our share capital of £50,933; our share capital now standing at £2,766,416. Our deposits have expanded by £160,693 and now stand at £2,424,473.

After making provision for the interest and dividends due to the depositors and shareholders and for all known liabilities, there remains a balance available of £71,817, including the balance brought forward from the previous year. This sum has been dealt with as follows:—

Allocation to staff pension fund	£600
Addition to reserve fund	£40,000
Addition to contingency fund	£5,000
leaving a balance to be carried forward of	£26,217.

A STRONG POSITION

Our various reserves and carry-forward amount now to £991,217, or over 19 per cent. of the combined share and deposit capital. These reserve funds place us in the foremost position of all large building societies in this respect. We, therefore, feel confident of our ability to meet and to overcome any unexpected difficulties or demands which might confront us in the future.

Unlike many other building societies, once an advance is made, we retain no power to call it in or increase the rate of interest so long as the borrower faithfully performs his obligations—a feature of our mortgage service which should commend itself to prospective borrowers. On the investment side of our business, we are in a position to make profitable use of increased funds, and our deposits and shares offer a channel of investment which is unequalled by most other investments, and surpassed by none. Depositors are entitled to interest at the rate of 2½ per cent. per annum with income tax paid by the society, showing a return to a depositor liable for income tax at the standard rate equivalent to nearly 3½ per cent.

We are also now prepared to receive investments in fully paid or subscribing shares, bearing interest at the rate of 3½ per cent. per annum, income-tax free to the recipient, which is equivalent to a return of 4½ per cent., where income-tax at the standard rate has to be borne. For security, liquidity, and attractive rate of interest, these investments may be recommended with the utmost confidence.

It requires great boldness to-day to make any forecast for the future, but we can see no reason why 1939 should not be another year of prosperity in our society, so we face the future with confidence and restrained optimism.

The report and accounts were unanimously adopted.

POWER SECURITIES CORPORATION, LIMITED

CONTINUED PROGRESS

The Sixteenth Annual General Meeting of Power Securities Corporation, Limited, was held, on the 15th instant, at Winchester House, Old Broad Street, London. Mr George Balfour, J.P., M.P. (the chairman of the corporation) presiding.

The chairman, in the course of his speech, said: I trust you all feel that the accounts we present are satisfactory and are evidence of continuing stability and progress.

We have, year after year, looked forward to what I might term more sane commercial conditions at home and abroad, but so far these better conditions have not materialised. I think, however, we can say that there is now evidence of the foundations being laid upon which we can patiently build up the old structures of confidence in international trade and commerce. Not the least important step in this direction is the close personal contacts established between our Continental friends and rivals alike. While we are faced with many and extremely difficult problems there is and has been for some time a general feeling amongst thoughtful people that we are now not daily, weekly, or monthly on the verge of war.

MAINTENANCE OF BRITISH TRADE

We are all deeply interested in securing and maintaining a sufficient volume of British trade to employ our people. In this connection I noticed a few days ago that the Home Secretary said:—

“The time has surely come when British character and British trade and enterprise must show their mettle.”

I do not think there is any question about the quality of British character, enterprise, or mettle, but these qualities are so handicapped by restrictions that flexible use of these gifts and characteristics is disappearing and being replaced by the regulated mechanism of a trade robot—a mechanical device which can never have the advantage of the flexible intuition of British character and enterprise. Dominions and Colonies call for unfettered British enterprise and capital to develop their territories and their population. When our trading and financial institutions are free to meet the needs of the people instead of the requirements of Departments our unemployment problems will be well on the way to solution.

You will not be surprised to hear that during the year we only dealt with a small range and volume of purely financial business, and that our energies were, therefore, mainly devoted to engineering construction and management.

IMPORTANT WORK IN IRAQ

This time last year we had an extremely difficult season's work ahead of us on the important contract for the barrage across the Tigris at Kut in Iraq. The grave difficulties caused by abnormal floods in November, 1936, which caused a season's delay, have, I am glad to say, been successfully overcome and the work completed. It is a fine piece of work of which the Government, the engineers, and we, as constructors, can be proud. We have now only to attend to settling up accounts this year, and this will no doubt be accomplished in the same spirit of good will and understanding which characterised our relations since this difficult work was embarked upon.

We are now engaged upon other work in Iraq, consisting of a small regulator in the Diwaniyah area on one of the branches of the Euphrates and also carrying out works for the State Railways consisting of tunnelling, grading and minor bridge building in the Mosul district.

We have completed and still have on hand a considerable volume of work in many parts of this country, including a fair amount in hand in the London area, in addition to miscellaneous work in progress in several parts of the world, including Kenya, Uganda, Tanganyika and Palestine.

We carried out last year a very considerable amount of work and completed a very full year's construction programme. It is satisfactory to know that we had still over one and three-quarter million pounds of new work or works current at the end of our financial year.

The balance of profit carried to the balance sheet, £95,298, shows a net decrease on last year of £9,500, and, after transferring £30,000 to general reserve, the directors recommend a dividend of 7 per cent., less tax, on the ordinary shares.

Regarding the outlook for the current year, I see no reason why we should not maintain, if not improve, our record of the past. I think we are entitled to look forward to conditions no worse than the last few years, and probably much better.

The report was unanimously adopted.

HUNGARIAN COMMERCIAL BANK OF PEST

REVIEW OF A DIFFICULT YEAR

The ninety-seventh ordinary general meeting of the shareholders of the Hungarian Commercial Bank of Pest was held on the 7th instant, Mr John Teleszky, D.L.L., former Minister of Finance, Privy Councillor, chairman of the bank, presiding.

According to the accounts submitted the balance sheet for the year 1938 shows a net profit of 4,416,748.73 pengő (excluding the balance brought forward from the previous year) as against 4,630,061.82 pengő in 1937.

The total of capital and reserves of the bank has changed in so far as for such part of the investment contribution (capital levy) as has already been definitely assessed on the bank according to Act XX of 1938, an amount of 10,580,487 pengő has been transferred from the reserve fund in favour of a new “Investment Contribution Transitory Account.” The first instalment on this contribution, paid on October 1, 1938, has been written off to the debit of this transitory account.

In consequence of the continued tension in the international political situation and its effects on domestic economic conditions, savings deposits decreased during the past year from 160,571,326.81 pengő to 126,360,892.54 pengő. Since on the other hand, current account deposits rose from 135,208,490.19 pengő to 141,765,899.95 pengő, the aggregate amount of deposits on December 31, 1938, was 268,126,792.49 pengő, as against 295,779,817 pengő on the same date of 1937, a decrease of about 9.4 per cent.

On the assets side, the item of bills discounted is particularly noteworthy at 101,709,391.46 pengő as against 148,159,776.08 pengő in the previous year. This change, however, does not mean a real decrease in the volume of bills actually discounted, but is due to the fact that the bank, which had practically not availed itself in recent years of any rediscount facilities, except for a short period during the first months of the economic crisis in 1931, departed from this policy during last year. In so doing the bank was actuated by the desire to maintain in unchanged volume the credits granted to public authorities and private undertakings in spite of the withdrawal of deposits, thus helping to avoid a reduction in the national production and turnover, as well as by an endeavour to meet increased credit requirements in connection with the investment contribution and the issue of the first tranche of the National Investment Loan. The value of bills rediscounted with the National Bank of Hungary has been deducted from the item “bills discounted.”

The higher amount of the item “Debtors”—144,130,591.41 pengő as against 134,179,602.16 pengő of the previous year—is also due to increased credit requirements.

The valuation of securities has been made in accordance with the traditional conservative principles. The item “Government and other Securities” rose from 22,734,999.53 pengő to 28,260,647.40 pengő; this increase is accounted for by the fact that the bank bought bonds of the first tranche of the National Investment Loan of a face value of 6,905,900 pengő.

The contingent liabilities of the bank increased from 29,304,801.76 pengő to 55,278,440.38 pengő, this being in connection with the State investments made under the five years' programme.

The grand total of the bank's turnover was 14 per cent. in excess of last year's figure.

The report and accounts were unanimously adopted, and the proposal of the board of directors to allocate out of the aggregate profit of 6,535,801.73 pengő—including the profit of 2,119,053 pengő brought forward from 1937—2,000,000 pengő—for the payment of a dividend of 4 pengő per share, was also approved. The recommendation to add 1,000,000 pengő to the ordinary reserve fund and 116,400 pengő to the reserve fund for depreciation of the bank's real estates, was also approved.

The remaining profit of 1,052,304.80 pengő is to be carried forward to 1939.

Count Maurice de Esterházy, Aladar Heinrich de Omorovicza, Eugen de Nelky, Emile Stein, D.L., and Count Dominic de Széchenyi were elected as new members of the board of directors.

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.

BEIRA RAILWAY COMPANY, LIMITED

ANOTHER GOOD YEAR

The thirty-eighth ordinary general meeting of the Beira Railway Company, Limited, was held, on the 14th instant, in London.

Baron Emile B. d'Erlanger (the chairman), in the course of his speech, said: The net receipts of the line amounted to £553,408, and, adding £6,363 for miscellaneous receipts and £7,989 balance of interest account, there is a total of £567,782 for disposal. You will see that we have had a very good year, and in the circumstances your directors have considered that it would be sound policy to make a special provision of £50,000 out of profits for the rebuilding of some of our properties.

We propose that a dividend of 2s. per share, less tax at 3s. 9d. in the pound, be paid; that £60,000 be transferred to reserve account; and that £40,000 be transferred to dividend equalisation account; and that the balance of £39,657 be carried forward. The reserve fund will then stand at £360,000, and the dividend equalisation fund at £60,000.

You will have seen in the report that reductions in rates and fares were brought into force on January 1, 1939. In view of our very satisfactory financial position, we felt we were able to fall into line with the Rhodesia Railways, Limited, and surrender the surcharge of 5 per cent. to 10 per cent., according to the categories of the goods, imposed during the economic crisis of 1932. This surrender of revenue is estimated to cost the company £39,000 for the nine months in the current financial year during which the new rates will be in force, or £53,000 in a full year.

The net receipts for October and November were £90,900, as compared with £106,800 in the previous year, when, as I told you last year, they were exceptionally high, and £71,000 in the corresponding months two years ago. These net receipts are after taking into account the reduced rates under the copper agreements, but not the general reduction in rates, which does not take effect until January 1, 1939. The copper mines are working to 100 per cent. I do not anticipate any substantial drop in copper traffic. Our most remunerative traffic—import of general merchandise—has, so far, been well maintained, and if nothing untoward happens in world affairs I think we may look forward to a very fair year.

The report and accounts were unanimously adopted.

GENERAL INVESTORS AND TRUSTEES LIMITED

SATISFACTORY RESULT IN DIFFICULT YEAR

The thirty-second ordinary general meeting of this company was held, on the 16th instant, at Winchester House, London.

Mr Gerald T. Moody (the chairman) said that the period under review had been one of prolonged conditions disturbing to industry and finance, so that the outcome of their year's operations must be regarded with some measure of satisfaction. After providing for all expenses and the payment of the dividend on the preference stock, the balance of revenue allowed them to recommend a final dividend on the ordinary stock of 6 per cent., making 10 per cent. for the year, and to increase the amount carried forward from £6,882 to £7,562. The reduction in revenue was largely due to increased taxation and further control of foreign exchanges.

On the credit side of the balance sheet a substantial cash balance was shown, and that with their British Government securities gave them a sum of £120,000 available at short notice. They might be criticised for their policy in having retained that large sum in a form which yielded only a small return, but during the whole of the last twelve months the trend had been towards lower prices, and investments to-day could be made on very favourable terms.

The general collapse in prices was reflected in the valuation of assets shown by every investment and finance company in recently issued reports, and they had not escaped the débâcle. Their investments, which stood in the balance sheet at £1,978,282, showed a depreciation of £397,088, or approximately 20 per cent. Of that depreciation, £317,562 was covered by the reserve accounts and carry-forward, so that the net depreciation of their capital was barely 5 per cent.

With regard to the current year, stockholders would not expect him to make a forecast. Their troubles, as with private investors, lay in world conditions, which exhibited many unfavourable features. Since their investments were widely spread, they must not unreasonably hope to receive some additional income from favourable developments in respect of securities now in default, of which they held a large number. Failing serious internal trouble, therefore, his own view was that twelve months hence the report should not be unworthy of the company's record extending over thirty-two years.

The report was unanimously adopted.

RAILWAY SHARE TRUST AND AGENCY COMPANY, LIMITED

THE COMPANY'S NEW NAME

The fiftieth ordinary general meeting of this company was held, on the 16th instant, at Winchester House, London.

Mr Richard S. Guinness, the chairman, said that the revenue for the year ended January 15th last had amounted to £138,254, an increase of £2,379, and after deducting outgoings the balance represented just over 9½ per cent. on the ordinary stock against just over 9½ per cent. last year. The dividend was maintained at 6½ per cent.

The year stood out as one of almost continuous anxiety and difficulty, with at one time the prospect of a major catastrophe. To be able to record an improvement in revenue and the maintenance of dividends under such conditions was a matter of satisfaction to the board. While it was impossible to foretell how lack of confidence might affect industry and enterprise, the board were hopeful that the dividend of 6½ per cent. would be maintained.

The capital aspect of their company was also satisfactory. The annual valuation of their investments reflected the almost universal fall experienced during the year in all values with a depreciation of £265,924, equivalent to a fall of 11.12 per cent. for the year. Since they had a surplus of £133,809 over the book cost last year, the depreciation on book cost amounted to £132,115. Against this there had been a reserve built up of £233,000, so that the depreciation was absorbed and they were left with a surplus of £100,885. Adding the proposed carry-forward of £49,533, there was an indicated cover for the £600,000 of ordinary stock of £750,418.

Their company, in its 50 years' life, had satisfactorily weathered the ever-changing conditions which it had been called upon to endure. For the first four years an average dividend of 4½ per cent. was paid, and after the reorganisation of the capital and for the succeeding 46 years, the annual dividend had been approximately 5½ per cent. on the average.

It was proposed to change the name of the company to "Share and General Investment Trust, Limited," and it was the board's intention to take the necessary steps to change the present method of quotation of the ordinary stock in the Stock Exchange official list from the present basis per £100 stock to units of £1.

The report was unanimously adopted and the proposed change of title was approved.

RAILWAY DEBENTURE AND GENERAL TRUST COMPANY, LIMITED

SATISFACTORY REVENUE POSITION

The sixty-sixth ordinary general meeting of this company was held, on the 16th instant, at Winchester House, London.

Mr Richard Guinness, chairman of the company, said that despite the effect upon interest and dividend receipts occasioned by the almost continuous tension prevailing during the year, the revenue at £147,091 showed an improvement of £1,414, and after deducting outgoings the balance represented 7.41 per cent. on the ordinary stock against 7.19 per cent. last year. The available balance allowed the board to transfer to reserve £5,000 as in the past three years, to recommend the maintenance of the dividend on the ordinary stock at 5½ per cent. and to increase the carry-forward by £4,414 to £42,125. Of their income 74 per cent. was derived from bond interest, debenture interest and preference dividends, and of the balance of 26 per cent. or £38,113 derived from ordinary dividends, £28,141 arose from holdings in the United Kingdom. The net result of investment changes had been to somewhat increase holdings in the United Kingdom, in Australia, Africa, India, Canada and the United States, and to reduce holdings elsewhere—mainly on the Continent of Europe.

As to the prospects of the coming year, it was hoped that foreign politics would give some respite, and afford Parliament the opportunity to devote more attention in the coming year to urgent home affairs—such as fostering the country's export trade, and protection of the shipping interests which should help to reduce unemployment, and closer control of local expenditure, so that if one could not hope for a reduction in taxation, they could at least anticipate some relief from ever-growing local rates. Should something constructive be done in those directions it might be anticipated that the Trust's revenue from home securities would not diminish. If so they could better sustain the shrinkage they might continue to suffer in income from foreign investments. Given reasonable prosperity at home they should be able to maintain the dividend seeing that over 60 per cent. of their revenue was derived from investments in the United Kingdom.

The report was unanimously adopted and the proposed change of name to "Debenture and Capital Investment Trust" approved.

WANDSWORTH AND DISTRICT GAS COMPANY

LARGER NUMBER OF CONSUMERS

The annual ordinary general meeting of the Wandsworth and District Gas Company was held, on the 14th instant, at Wandsworth.

Mr Frank H. Jones (chairman and managing director) said that the revenue account must be considered satisfactory. The receipts from coke were satisfactory, but expensive plants had been provided for the cleaning, cutting and grading of coke, and the present price in part reflected the return on this capital expenditure and the by no means inconsiderable expense which had been incurred in the development of the domestic market. It was a matter of regret that the directors had to report that a further increase in the price of gas to the extent of 0.4d. per therm would have to be made as from the meter readings after April 1st next. That increase was caused by circumstances entirely without the control of the directors, and had been found necessary after every effort to economise. The increase also involved a reduction of half per cent. in the statutory dividends to the proprietors and the co-partners' bonus would be reduced by 25 per cent. next year.

The sale of gas showed a slight decrease in the amount sold to consumers, namely, 0.34 per cent. Since the beginning of the current year, with colder conditions, a considerable increase in the amount of gas sold was recorded, and to emphasise that point, in the intensely cold but short period which took place prior to last Christmas, the company sold more gas than ever before in the history of the undertaking and, in fact, on three consecutive days reached a new record of 20 per cent. over the previous best.

During the year the number of consumers had increased by 6,141, which now brought their total number to approximately 210,000, and in spite of the fact that there was a considerable trade depression during the latter part of last year, the sales of apparatus to their consumers had been maintained at a high level.

The report was adopted, and at a subsequent extraordinary general meeting the terms of the London Gas Undertakings (Regulations) Bill now before Parliament were approved.

SOUTH BANKET AREAS, LIMITED

INCREASE OF CAPITAL

An extraordinary general meeting of South Banket Areas, Limited, was held, on the 10th instant, in London, to consider a resolution increasing the capital from £500,000 to £900,000.

Mr Robert Sweeny (the chairman) said that last October he had informed shareholders that in the opinion of their engineers the progressive development of their mines justified the installation of a reduction plant and ancillary equipment. Subject to the passing of the resolution, an issue of £350,000 of non-interest-bearing five-year registered convertible notes had been arranged. They would be redeemable at 25 per cent. premium not later than February 23, 1944, and would be issued in multiples of £1.

ORE RESERVES

In their three not yet inter-connected mine workings they had developed or partially developed comparatively near to the reef outcrops, payable ore reserves of 622,000 tons with gold contents at present price of approximately £1,250,000, or 5.65 dwts. per ton.

They felt justified in contemplating the production would steadily increase after the first milling unit was in operation, which it was anticipated would be in about eighteen months. Their consulting engineer, Mr Robinson, estimated that when milling 180,000 tons with the first unit the working profit with gold at 140s. and 5 dwts. recovery should be £135,000 per annum. He believed that their property would prove to be one of the most productive of the Banket field.

Indeed, as they proceeded with their developments he thought their large mining property would prove a long-lived and highly profitable investment for the capital they subscribed. It was for that reason in particular that it was proposed to reserve the offer of the contemplated convertible note issue of £350,000 to shareholders of that company and their associated company, Gold Coast Banket Areas, Limited.

Mr C. E. Jobling, M.Inst.M.M. (Technical Director), said that he was satisfied that the proposed increase of capital should put the company into a position to pay substantial dividends for many years to come.

Resolution carried unanimously.

THE STERLING TRUST, LIMITED

10½ PER CENT. EARNED ON ORDINARY STOCK

The twenty-second ordinary general meeting of The Sterling Trust, Limited, was held, on the 14th instant, in London.

Baron Emile B. d'Erlanger (the chairman) said: It is extremely disappointing for me to have to report this year a still further depreciation in the value of your investments, without being able to foresee when the curve will reach its lowest level and begin to rise again, as it undoubtedly will, and sharply so if the fears of war can be set at rest.

The depreciation at December 31, 1938, amounted to a fraction under 14½ per cent. on the balance-sheet figure as compared with a fraction under 5 per cent. at the end of 1937, a falling off of some 9½ points: after deducting the amount of the reserve account and the balance carried forward, the depreciation amounted to under 2 per cent., as stated in the directors' report.

In this connection it is interesting to allude to—I do not say "compare," as it is not strictly comparable—the depreciation shown in the value of 365 representative Stock Exchange securities selected by the "Bankers' Magazine." These securities, which were valued on December 15, 1938, at some 6½ thousand million pounds, showed a depreciation of 7.3 per cent. on the valuation a year earlier. It must be borne in mind, however, that, of the valuation in December, 1938, some 56 per cent. was represented by ten securities which had shown a depreciation of only 3.6 per cent., namely, "British and Indian Funds," a class of security of which an investment trust company such as yours has a very small holding in comparison with its other securities.

I will now deal with geographical distribution. I will give you both percentages, firstly, on book value and, secondly, on valuation:

Great Britain	47½ per cent. and 59½ per cent.
British Empire	6½ per cent. and 9½ per cent.
Europe	18 per cent. and 11½ per cent.
Asia	3½ per cent. and 3 per cent.
Africa	½ per cent. and ½ per cent.
U.S.A. and Central	

America	9 per cent. and 8½ per cent.
and South America	14½ per cent. and 7½ per cent.

The classification of investments held shows the following percentages based on the valuation at December 31st last:—

British Government Securities	4½ per cent.
Debentures, bonds, etc.	34 per cent.
Preference stocks	26 per cent.
Ordinary and deferred stocks	35½ per cent.

Turning now to the revenue account, the income of the company, after deducting tax, has fallen by £10,555, to £199,442. Of this fall, about one-half was accounted for by the fact that tax was deducted during 1938 at higher rates than in the previous year.

After expenses and interest on the debentures the net income was £97,458. To this must be added the sum of £68,861 brought forward from 1937, making a total of £166,319. The interim dividends, less tax, on the preference and ordinary stocks paid last August absorbed £28,711, leaving £137,608.

INDUSTRIAL REPORTS—continued

Colonial Produce.—The futures market for raw sugar was a little weaker but prices for refined remained unchanged. With a decline in demand, the price of Accra cocoa again fell during the past week, although prices for Grenada improved a little.

Milk.—The following table is compiled from statistics issued by the Milk Marketing Board:—

	Jan., 1938	Nov., 1938	Dec., 1938	Jan., 1939
Prices (per gall.)	d.	d.	d.	d.
Liquid	18-0	17-5	17-5	17-5
Av. manufacturing	7-724	7-111	7-327	7-199
Av. pool	15-25	15-07	15-43	15-22
Contract sales (mill. galls.)				
Liquid	51-8	51-0	52-9	53-1
Manufacturing	14-9	15-2	13-2	14-1
Total contract	66-7	66-2	66-1	67-2
Used by farmhouse cheesemakers	0-6	1-0	0-5	0-5

Fruit and Vegetables.—Supplies of green vegetables remain short at the London markets and are not likely to

increase in the immediate future. Large supplies of Jaffa and of Spanish oranges are now available, but the quantity of English apples on sale is now very limited.

Miscellaneous Commodities

Oils and Oilseeds.—Linseed has been in much better demand during the past week and prices have been more firmly held, although there has not been any appreciable rise. The market for linseed oil has also improved and prices have risen by 10s. to 12s. 6d. per ton on the week. The demand for other oils remains disappointing.

Rubber.—The Committee's decision to leave the export quotas unchanged for a further three months is discussed on page 361. During the week the rubber market was steady, though there was little business transacted; the news of the Committee's decision resulted in an improved turnover and the

The directors have appropriated £22,157 in writing down investments and propose to pay the half-year's dividend of 2½ per cent., less tax, on the preference stock, which calls for £15,950 and a final dividend of 4½ per cent., less tax, on the ordinary stock (making a total ordinary dividend of 6½ per cent.), which calls for £28,711, and to carry forward the sum of £70,790.

In view of the series of conversions that have taken place during recent years and additions during 1938 to the already long list of defaults, I think that you will agree that our ability to show earnings on the ordinary stock for the year of 10½ per cent., as compared with 10½ per cent. in 1937, is satisfactory.

The report and accounts were unanimously adopted.

BAH LIAS RUBBER ESTATES, LIMITED

STRONG FINANCIAL POSITION

The twenty-eighth ordinary general meeting of The Bah Lias Rubber Estates, Limited, was held, on February 17th, at 19 Fenchurch Street, London.

Mr H. Eric Miller (the chairman) said that the report and accounts set out the working results of the Bah Lias Company to October 31st last. As from November 1, 1938, the company had been enlarged by amalgamating with it the estates and other assets of Bila (Sumatra) Rubber Lands, Limited, and The Wampoe Tobacco and Rubber Estates, Limited. The legal formalities in connection with the transfer of the properties of those two companies to their own were in hand, but it might be a month or six weeks before completion, when they would proceed with the allotment of Bah Lias shares to the members of the Bila and Wampoe companies.

The lower permissible exports and the drop of just over 1d. per lb. in the sale price average explained the decline in the net profit which, at £40,196, was very near the estimate on which the amalgamation scheme was framed. After allowing for the appropriations set out in the report, including the dividend of 8 per cent. which was paid in December in accordance with the terms of the amalgamation, they carried forward £43,481, rather more than the amount brought in.

Their own two estates, Bah Lias and Soengei Brohol, were maintained in good order throughout the year. In accordance with the terms on which the International Rubber Regulation Agreement was renewed, they would be allowed to plant with rubber during 1939 and 1940 some 408 acres. Having made a good start with the preliminaries, it was anticipated that the whole area would be well planted with up-to-date material by the end of 1939.

For 1938 the standard production of the four estates now owned by the company aggregated 7,009,104 lbs. The decision taken by the International Rubber Regulation Committee on Tuesday had come as quite a relief to the market and had had a steadying effect.

The company's estates were in good order; their financial position was a strong one and they were well equipped by the amalgamation to derive further benefit from that much desired improvement in world conditions.

The report and accounts were unanimously adopted.

price of standard sheet on the spot closed on Wednesday at 8d. per lb., a gain of ½d. per lb. on the week.

★

Furs.—The London winter fur sales have closed on a firm note. The demand from England, France, Germany, the United States and Poland continued to be large, so that about two-thirds of the offerings were sold. In the closing week of the sale the prices of nutrias were unchanged compared with October, while American opossum showed a decline of 10 per cent. on October. All other prices were 10 per cent. higher. In the free market the undertone has remained firm, although, of course, turnovers have declined, as most buyers have covered their requirements for the time being at the sales. The next London silver fox sales will take place on March 20th and May 15th. The general sales of spring furs will begin with the Hudson's Bay Company's sale on April 24th, preceded as usual by a short sale of Australian furs, which is due to begin on April 20th.

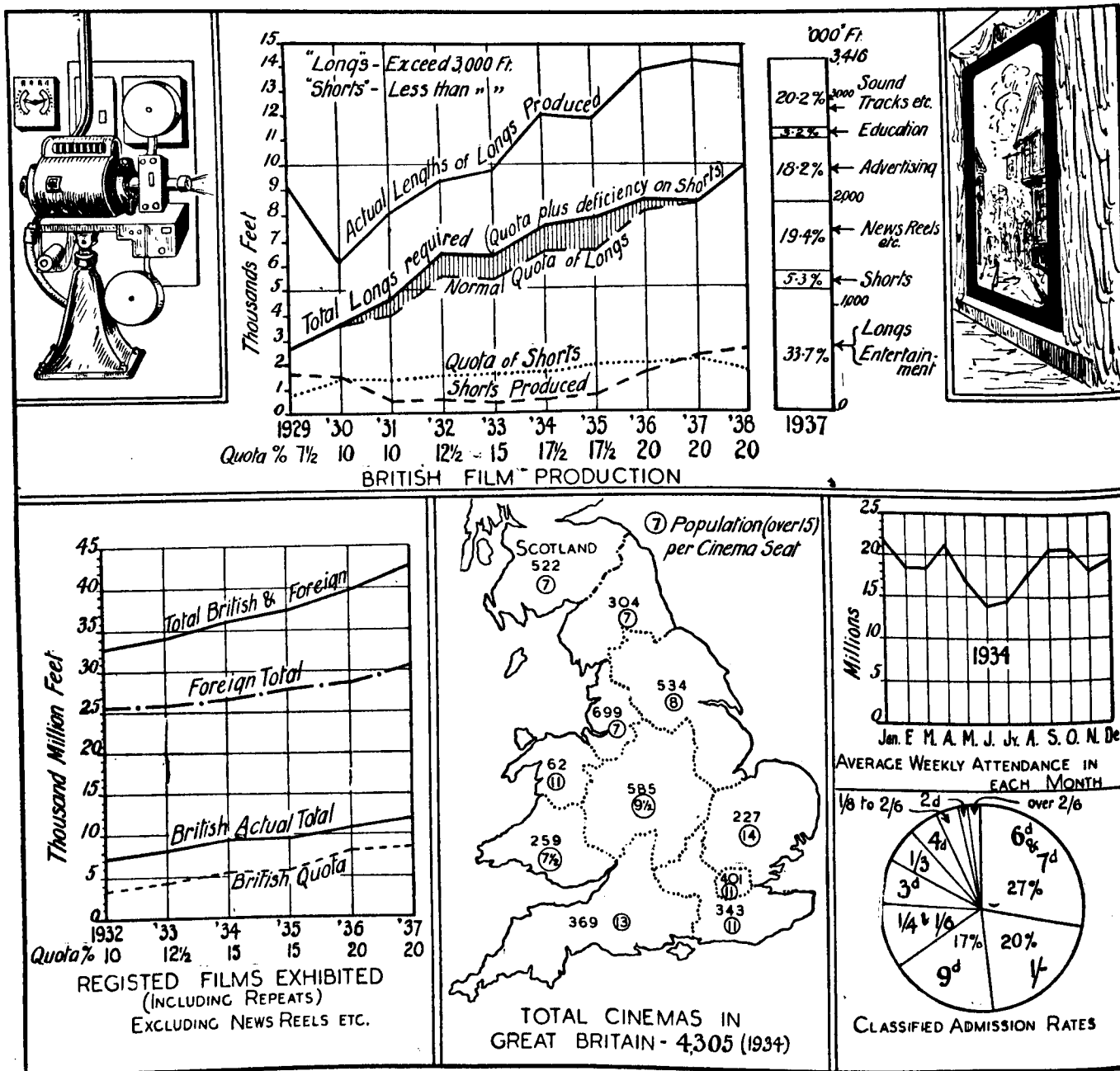
CURRENT STATISTICS

CONTENTS

	Page		Page
FINANCE		INVESTMENT	
Government Returns	371	Transport Receipts	375
Bank of England Returns	371	Dividend Announcements	375
Overseas Bank Returns	372	London Active Securities and Yields	376
Bank Clearings	373	The Week's Company Results	378
Money Rates	373		
Exchange Rates	373	INDUSTRY AND TRADE	
Imports and Exports of Gold and Silver	374	Commodity Statistics	379
Overseas Trade Returns	374	British Wholesale Prices	380

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

Films



The operation of the Renters' quota for the period to March 31, 1938, is illustrated in the upper panel. If British shorts produced were less than the quota (so much per cent. of the total of shorts) this deficiency was added to the quota for longs. In the lower panel the operation of the Exhibitors' quota is shown. In the case of the former the figures are for the twelve months ended March 31st of the years indicated; in the case of the latter, for the twelve months ended September 30th. We are indebted to Mr S. Rowson for most of the statistics charted.

Finance

GOVERNMENT RETURNS

For the week ended February 11, 1939, total ordinary revenue was £44,671,000, against ordinary expenditure of £7,955,000. Thus, excluding sinking fund allocations and Defence expenditure from loans, the deficit accrued since April 1st last is £95,604,000, against a deficit of £41,653,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Feb. 12, 1938	April 1, 1937, to Feb. 11, 1939	Week ended Feb. 12, 1938	Week ended Feb. 11, 1939
ORDINARY REVENUE					
Income Tax	341,150	214,008	237,317	23,210	29,911
Sur-tax	62,000	35,620	39,240	4,310	4,980
Estate, etc.	88,000	77,510	65,250	1,420	1,450
Duties	24,000	18,420	17,310	570	250
Stamps	20,000	340	16,820	98	600
N.D.C.					
Other In. Rev. Duties	1,250	1,200	1,210	150	110
Total I. Rev.	536,400	347,098	377,147	29,758	37,301
Customs	227,950	192,297	194,556	3,837	4,551
Excise	116,150	99,200	99,200	1,100	1,200
Total Cust. and Excise	344,100	291,497	293,756	4,937	5,751
Motor Duties	36,000	33,879	34,823	329	297
P.O. (Net Receipt)	8,670	13,850	11,820	1,050	1,100
P.O. Fund.	2,400	25	...	...	...
Crown Lands Rec. from Sun. Loans	1,330	1,190	1,160	...	...
Misc. Rec.	5,250	5,161	5,632	...	...
Total Ordinary Revenue	10,500	11,579	10,311	166	222
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	63,400	66,680	950	950
Total...	102,509	767,679	801,329	37,190	45,621

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Feb. 12, 1938	April 1, 1937, to Feb. 11, 1939	Week ended Feb. 12, 1938	Week ended Feb. 11, 1939
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt. Payments to N. Ireland	230,300	203,348	205,655	444	457
Other Cons. Fund Serv.	8,900	6,373	7,044	...	...
Total...	239,200	209,721	212,699	444	457
Supply Serv.	702,409	533,342	612,945	11,640	7,440
Total Ord. Expend.	941,609	743,063	825,644	12,084	7,897
Sinkg. fds. SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	63,400	66,680	950	950
Total...	102,690	816,921	904,928	13,269	9,160

* 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).
|| Now transferred as charge against revenue.

After reducing Exchequer balances by £315,823 to £2,597,935, the other operations for the week (as shown below, but excluding £5,500,000 issued under the Defence Loans Act and £255,000 to Sinking Funds) reduced the gross National Debt by £31,277,000 to about £8,300 millions.

WEEK'S CHANGES IN DEBT

NET INCREASE		NET REPAYMENTS, ETC.	
Public Dept.	Advances	Treasury Bills	Nat. Savings Certs.
2,075	2,075	32,698	150
		N. Atl. Shipping	25
		P.O. and Teleg.	400
		Anglo-Turkish Cr.	40
		Suez shares	39
	2,075	33,352	

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to February 11, 1939, are shown below:—	
(£ thousands)	
Ordinary Exp.	830,253
Defence Loan	10,000
Issues	46,750
Incr. in balances	234
Total	887,237
Ordinary Rev.	734,649
Defence Loan	10,000
Receipts	150,888
Less	8,000
Net borrowing	142,588
Total	887,237

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
Feb. 12	557.0	276.9	31.9	...	865.8	308.8
Oct. 22	526.0	379.3	41.4	...	946.7	420.7
Nov. 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
Dec. 12	517.0	407.2	45.4	...	969.7	452.6
Dec. 19	522.0	403.7	41.7	...	967.4	445.4
Dec. 26	522.0	404.1	45.4	...	971.5	449.0
Dec. 3	517.0	445.4	49.5	...	1,011.9	494.9
Dec. 10	507.0	465.3	46.7	...	1,019.0	512.0
Dec. 17	500.0	474.2	51.5	...	1,025.7	525.7
Dec. 24	493.0	495.3	42.1	...	1,030.4	537.4
Dec. 31	488.0	497.6	45.8	5.3	1,036.7	543.4
1939						
Jan. 7	474.0	524.5	41.0	0.7	1,040.2	565.5
Jan. 14	449.0	525.5	37.1	...	1,011.6	526.6
Jan. 21	426.0	524.1	37.6	...	987.5	561.7
Jan. 28	411.0	517.8	39.3	...	968.1	557.1
Feb. 4	396.0	520.1	36.7	...	952.8	556.8
Feb. 11	381.0	502.4	38.8	...	922.2	541.2

TREASURY BILLS

Date of Tender	Amount		Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for		
1938				
Feb. 11	30.0	87.7	30.0	5.0
Oct. 21	40.0	77.3	38.0	10.0
Nov. 28	35.0	72.5	35.0	10.0
Nov. 4	35.0	67.9	35.0	10.0
Dec. 11	35.0	62.7	35.0	10.0
Dec. 18	35.0	62.6	35.0	11.0
Dec. 25	35.0	69.6	35.0	17.0
Dec. 2	35.0	74.8	35.0	17.0
Dec. 9	35.0	68.8	35.0	19.0
Dec. 16	35.0	70.6	30.0	20.0
Dec. 23	35.0	62.9	35.0	22.0
Dec. 30	35.0	74.1	31.0	13.0
1939				
Jan. 6	25.0	60.3	25.0	11.0
Jan. 13	25.0	65.1	22.0	10.0
Jan. 20	25.0	67.8	23.0	10.0
Jan. 27	20.0	63.4	20.0	10.0
Feb. 3	20.0	67.6	20.0	10.0
Feb. 10	20.0	71.2	20.0	10.0

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 February 10th applications at 99 17s. 6d. per cent. for bills to be paid for on Monday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 25 per cent. and applications at higher prices in full. Applications at 99 17s. 7d. for bills to be paid for on Tuesday were accepted in full. £20.0 millions of Treasury bills are being offered on February 17th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Four weeks to:—		
Jan. 29, 1938	2,952,548	2,214,410
Jan. 26, 1939	2,705,543	486,658
Week to:—		
Jan. 29, 1938	727,294	545,470
Jan. 21, 1939	706,103	529,577
Jan. 28, 1939	648,877	486,658

BANK OF ENGLAND RETURNS

FEBRUARY 15, 1939

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt..	11,015,100
In Circulation	473,220,558	Other Govt.	388,603,264
In Banking	53,193,699	Other Secs.	21,160
Dept.		Silver Coin..	360,476
		Amt. of Fid. Issue	400,000,000
		Gold Coin & Bullion	126,414,257
			526,414,257

BANKING DEPARTMENT

£		£	
Props.' capital	14,553,000	Govt. Secs...	82,491,164
Rest	3,625,845	Other Secs..	18,122,706
Public Depts.*	12,476,556	Discs., etc.	21,866,197
Other Depts.	110,529,400	Securities...	39,988,903
Bankers	35,498,211	Notes	53,193,699
Other	146,027,611	Gold & Silver Coin	1,009,246
			176,683,012

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments	Amt. Feb. 15, 1939	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	473,221	- 1,777	- 863
Deposits: Public	12,478	- 2,875	- 3,295
Bankers	110,529	+ 6,580	+ 4,124
Others	35,498	+ 8	+ 3
Total outside liabilities	631,725	+ 1,936	- 31
Capital and rest	18,179	+ 22	21
COMBINED ASSETS			
Govt. debt and securities	482,110	+ 4,871	+ 184,914
Discounts and advances	18,123	- 2,526	+ 11,968
Other securities	21,867	+ 530	+ 2,423
Silver coin in issue dept.	127,424	+ 119	- 199,707
Gold coin and bullion	126,414	+ 119	- 199,707
RESERVES			
Res. of notes & coin in banking department...	54,203	+ 1,896	+ 1,156
Proportion of reserve to outside liabilities—			
(a) Banks, dept. only ("proportion")	34.1%	+ 0.4%	+ 0.5%
(b) Gold stocks to deposits and notes ("reserve ratio")	20.2%	Nil	- 31.6%

COMPARATIVE ANALYSIS

	1938		1939			
	Feb. 16	Jan. 25	Feb. 1	Feb. 8	Feb. 15*	
Issue Dept.:						
Notes in circ.	474.1	463.8	471.9	475.0	473.2	
Notes in banking dept.	52.3	62.6	54.5	51.4	53.2	
Govt. debt and securities	199.3	399.7	399.6	399.6	399.6	
Other secs.	0.7	0.0	0.1	0.1	0.0	
Gold	326.4	126.4	126.4	126.4	126.4	
Deposits:						
Public	15.8	12.9	12.3	15.4	12.5	
Bankers	106.4	118.2	108.3	103.9	110.5	
Others	35.5	36.7	37.1	35.5	35.5	
Total	157.7	167.8	158.7	154.8	158.5	
Bkg. Dept. Secs.:						
Government	97.9	82.0	77.9	77.6	82.5	
Discounts, etc.	6.1	18.8	21.3	20.6	18.1	
Other	18.8	21.9	21.4	22.4	21.9	
Total	122.8	122.7	120.6	120.6	122.5	
Banking dept. reserve	53.0	63.2	55.2	52.3	54.2	
"Proportion"	33.6	37.6	35.0	33.7	34.1	
Reserve ratio†	51.8	20.1	20.2	20.2	20.2	

† 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, £360,476; capital, £14,553,000; rest £3,625,845.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in *The Economist* of May 28, 1938. The latest returns of the Bank of Iran appeared in our issue of January 21st; Danzig of January 28th; Argentina, Egypt, Estonia, Poland, and Portugal of February 4th; Czechoslovakia, Denmark, Hungary, India, International Settlements, New Zealand, South Africa and Sweden of February 11th.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	Feb. 17, 1938	Jan. 19, 1939	Feb. 9, 1939	Feb. 16, 1939
Gold certifi. on hand and due from Treas.	9,164	11,896	11,979	12,006
Total reserves	9,614	12,341	12,431	12,454
Total cash reserves	441	435	442	439
Total bills discounted	10	4	7	5
Bills in open mkt.	10	5	8	6
Total bills on hand	18	15	15	15
Total U.S. Govt. secs.	2,564	2,564	2,564	2,564
Total bills and secs.	2,592	2,584	2,587	2,584
Total resources	13,003	15,707	15,755	15,854
LIABILITIES				
F.R. notes in circn.	4,120	4,338	4,345	4,350
Aggregate of excess m. bank res. over reqs.	1,360	3,560	3,460	3,700
Deposits — Member-bank reserve account	7,216	9,130	9,018	8,170
Govt. deposits	187	800	931	1,250
Total deposits	7,857	10,365	10,437	10,457
Cap. paid in and surplus	309	311	311	311
Total liabilities	13,003	15,707	15,755	15,854
Reserve to depts. and F.R. notes	80.3%	83.9%	84.1%	84.1%
U.S.F.R. BANKS AND TREASURY COMBINED				
Monetary gold stock	12,781	14,615	14,732	14,772
Treasury and Nat. Bk. currency	2,662	2,810	2,818	2,819
LIABILITIES				
Money in circulation	6,302	6,666	6,673	6,695
Treasury cash and deposits with F.R. Bks.	3,813	3,526	3,699	4,021

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

	Feb. 17, 1938	Jan. 19, 1939	Feb. 9, 1939	Feb. 16, 1939
Total gold reserves	386.0	562.2	572.1	565.4
Total bills discounted	3.0	1.2	3.5	1.9
Bills in open mkt.	0.2	0.2	0.2	0.2
Total U.S. Govt. secs.	740.0	724.6	724.6	724.6
Total bills and secs.	747.0	730.0	732.2	730.6
Deposits: Member-bank reserve account	324.9	487.3	490.6	469.1
Govt. deposits	18.7	800.0	931.0	1,250.0
Total deposits	346.6	1,287.3	1,421.6	1,719.1
Cap. paid in and surplus	30.9	31.1	31.1	31.1
Total liabilities	386.0	562.2	572.1	565.4
Reserve to depts. and F.R. notes	85.4%	89.7%	89.9%	89.9%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

	Jan. 26, 1938	Dec. 28, 1938	Jan. 18, 1939	Jan. 25, 1939
ASSETS				
Loans, total	12,237	13,219	13,150	13,147
Investments	5,735	7,057	7,545	7,596
Reserve with Federal Reserve banks	2,046	2,410	2,583	2,580
Due from domestic bks.	14,583	15,986	16,124	16,152
LIABILITIES				
Deposits: demand	5,213	5,160	5,174	5,179
Time	653	637	630	630
U.S. Government	5,747	6,580	6,355	6,347
Inter-bank				

BANK OF FRANCE.—Million francs

	Feb. 10, 1938	Jan. 12, 1939	Feb. 2, 1939	Feb. 9, 1939
ASSETS				
Gold	55,806	87,265	87,266	87,266
Bills: Commercial	11,936	9,571	10,020	10,048
Bought abroad	818	747	726	726
Advances on securities	3,860	3,476	3,512	3,422
Thirty-day advances	1,138	549	687	179
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	31,904	20,627	20,627	20,627
Negotiable bonds	5,575	5,530	5,470	5,470
Sinking Fund Dept.	4,364	4,332	4,270	4,384
Other assets				
LIABILITIES				
Notes in circulation	92,574	110,192	111,855	111,253
Deposits: Public	2,455	5,347	4,914	5,414
Private	20,215	23,430	22,721	22,350
Other liabilities	3,358	3,131	3,090	3,108
Gold to sight liabilities	48.4%	62.7%	62.5%	62.7%

REICHSBANK

	Feb. 7, 1938	Jan. 31, 1939	Feb. 7, 1939	Feb. 14, 1939
ASSETS				
Gold	70.8	70.8	70.8	70.8
Of which deposited abroad	20.3	10.6	10.6	10.6
Res. in foreign currencies	5.5	5.7	5.6	5.9
Bills and cheques	185.4	167.9	193.1	202.8
Silver and other coins	59.8	44.1	52.0	43.8
Advances	397.3	851.8	592.1	671.1
Secs.: for note cover				
others	792.9	1,373.5	1,655.0	1,944.5
LIABILITIES				
Notes in circulation	495.7	5,705.1	7,816.1	7,548.6
Other daily maturing obligations	744.1	950.0	1,119.3	1,064.0
Other liabilities	339.1	420.4	426.5	423.8
Cover of note circulatn.	1.54%	0.99%	0.98%	1.02%

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

	Feb. 14, 1938	Jan. 16, 1939	Feb. 13, 1939	Feb. 20, 1939
ASSETS				
Gold and English stg.	16.00	16.03	16.03	16.03
Other coin, bullion, &c.	5.84	5.24	5.52	5.54
Call money, London	25.61	19.83	18.00	17.71
Secs. and Treas. bills	92.68	98.32	96.66	95.99
Discounts and advances	12.12	15.82	16.05	15.67
LIABILITIES				
Notes issued	49.53	48.53	47.78	47.78
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	86.94	87.60	85.45	84.40

NATIONAL BANK OF BELGIUM

	Feb. 1938	Jan. 1939	Feb. 1939	Feb. 1939
ASSETS				
Gold	3,509	3,430	3,465	3,467
Silver and other coin	52	52	57	53
Foreign exchange, etc.	1,049	925	922	922
Bills and securities	574	577	558	559
Advances	32	35	48	38
LIABILITIES				
Notes in circulation	4,346	4,391	4,433	4,436
Deposits: Govt.	16	18	102	54
Other	769	488	424	459

NATIONAL BANK OF BULGARIA

	Jan. 15, 1938	Dec. 15, 1938	Jan. 15, 1939	Jan. 15, 1939
ASSETS				
Gold holdings	1,994	2,003	2,006	2,006
Balances abroad and foreign currencies	813	1,245	1,324	1,271
Discounts and advances	1,205	932	833	813
Advances to Treasury	3,495	3,468	3,441	3,441
LIABILITIES				
Notes in circulation	2,469	2,758	2,863	2,694
Sight liabs. and deposits	3,799	3,841	3,480	3,712

BANK OF CANADA

	Feb. 9, 1938	Jan. 11, 1939	Feb. 8, 1939	Feb. 15, 1939
ASSETS				
Reserve, of which	204.9	218.9	236.0	237.5
Gold coin and bullion	179.7	189.1	191.9	194.0
Securities	177.8	179.5	172.2	166.6
LIABILITIES				
Note circulation	150.8	169.8	161.5	159.6
Deposits: Dom. Govt.	23.9	13.0	33.3	33.4
Chartered banks	197.5	207.6	205.3	204.0
Reserves to notes and deposit liabilities	54.8%	55.5%	58.5%	57.4%

BANK OF FINLAND

	Feb. 8, 1938	Jan. 31, 1939	Feb. 8, 1939	Feb. 15, 1939
ASSETS				
Gold reserve	602.6	1,128.5	1,128.4	1,128.4
Gold abroad not in res.	32.0			
Foreign correspondents	219.4	622.7	826.7	928.7
Foreign bills, etc.	59.2	98.0	97.3	97.7
Inl. bills and home loans	1,243.1	1,197.7	1,214.9	1,222.8
Finnish & foreign bonds	479.4	463.4	491.4	503.9
LIABILITIES				
Notes in circulation	2,005.0	2,000.3	1,974.9	1,967.0
Sight deposits: Govt.	552.2	293.8	383.9	453.9
Other	832.0	876.3	862.4	871.2
Cover to sight liabs.	78.4%	94.9%	91.7%	93.2%

BANK OF GREECE.—Million drachmae

	Jan. 23, 1938	Dec. 23, 1938	Jan. 15, 1939	Jan. 23, 1939
ASSETS				
Gold and gold exchange	3,665	3,824	3,838	3,857
State sec. in for. curr.			113	113
Bills discounted	609	734	724	718
Advances	5,071	8,002	7,952	8,002
State debt	3,866	3,796	4,180	4,180
LIABILITIES				
Notes in circulation	6,388	7,122	6,743	6,743
Dep. and current accts.	6,387	9,398	9,877	9,857
Foreign exch. liabilities	173	276	203	220

BANK OF JAPAN.—Million yen

	Jan. 28, 1938	Dec. 24, 1938	Jan. 21, 1939	Jan. 28, 1939
ASSETS				
Coin & bullion: Gold	801.0	501.3	501.3	501.3
Other	23.4	46.5	29.0	31.5
Spec. fd. for for. exch.	527.4	479.3	453.4	452.0
Discounts and advances	980.7	1,900.3	1,667.0	1,598.6
Government bonds	116.5	175.6	140.2	160.4
LIABILITIES				
Notes issued	1,822.9	2,543.0	2,207.4	2,128.4
Deposits: Government	321.9	428.1	326.3	347.5
Other	69.1	131.2	163.4	171.9

BANK OF JAVA.—Million florins

	Feb. 12, 1938	Jan. 1939	Feb. 1939	Feb. 1939
ASSETS				
Gold and silver	134.93	138.51	138.89	138.61
Discounts, advances & other investments	78.33	75.44	76.96	77.92
Foreign bills	2.91	9.91	9.49	9.06
Other assets	64.11	61.10	61.09	60.47
LIABILITIES				
Notes in circulation	190.54	191.44	190.65	190.47
Deposits and bills	74.67	79.15	81.35	81.10

NATIONAL BANK OF JUGOSLAVIA

	Feb. 1938	Jan. 1939	Jan. 1939	Feb. 1939
ASSETS				
Cash reserve: Gold	1,720	1,910	1,911	1,912
Other foreign exchange	460	610	527	472
Discounts and advances	1,620	1,748	1,951	1,937
Government advances	2,239	2,228	2,228	2,229
LIABILITIES				
Notes in circulation	5,658	6,786	6,608	6,536
Sight liabilities	2,674	2,187	2,126	2,163

BANK OF LATVIA

	Jan. 1938	Jan. 1939	Jan. 1939	Jan. 1939
ASSETS				
Gold coin and bullion	77.55	87.69	87.70	92.75
Silver coin	13.95	12.14	12.59	12.63
Foreign currency	43.10	37.62	40.33	40.54
Treas. notes and change	8.87	9.21	10.84	10.42
Short-term bills	46.58	49.29	46.30	46.21
Loans against securities	83.43	113.06	104.60	101.09
LIABILITIES				
Notes in circulation	62.30	80.57	76.71	77.31
Deposits & curr. accts.	135.27	157.79	152.28	152.29
Government accounts	62.96	59.97	64.38	65.11

BANK OF LITHUANIA.—Million litas

	Jan. 31, 1938	Dec. 31, 1938	Jan. 15, 1939	Jan. 31, 1939
ASSETS				
Gold	79.08	64.71	65.55	63.55
Silver and other coins	13.74	17.21	17.21	17.20
Discounts and advances	99.69	100.20	96.86	96.99
Advances	17.00	20.51	20.43	20.14
LIABILITIES				
Bank notes in circulatn.	117.06	141.70	138.45	142.66
Current accounts	59.49	42.19	45.57	41.07
Deposits	28.83	19.68	17.16	15.26

NETHERLANDS BANK

	Feb. 14, 1938	Jan. 16, 1939	Feb. 13, 1939	Feb. 20, 1939
ASSETS				
Gold	141.5	146.1	146.1	146.1
Silver	17.3	28.2	27.4	27.5
Home bills, etc.	8.9	8.2	8.1	8.2
Foreign bills	5.2	3.2	3.2	3.2
Loans and advances in current account	244.1	305.4	300.7	300.7
LIABILITIES				
Notes in circulation	860.7	972.4	993.1	973.0
Deposits: (a) Govt.	142.4	174.9	176.1	176.6
(b) Other	705.5	679.7	651.5	673.6

BANK OF NORWAY

EXCHANGE RATES—cont.

NEW YORK

New York on	Feb. 9, 1939	Feb. 10, 1939	Feb. 11, 1939	Feb. 13, 1939	Feb. 14, 1939	Feb. 15, 1939
London:—						
60 days	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂
Cables	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂
Demand	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂
Paris, 1 r.	2-64 ⁷ / ₈	2-64 ⁷ / ₈	2-64 ⁷ / ₈	2-64 ⁷ / ₈	2-64 ⁷ / ₈	2-64 ⁷ / ₈
Brussels, Bel.	16-88	16-87	16-88 ¹ / ₂	16-88 ¹ / ₂	16-88 ¹ / ₂	16-88 ¹ / ₂
Switzerland, Fr.	22-66 ¹ / ₂	22-67	22-66 ¹ / ₂	22-66 ¹ / ₂	22-66 ¹ / ₂	22-66 ¹ / ₂
Italy, Lira	5-26 ¹ / ₄	5-26 ¹ / ₄	5-26 ¹ / ₄	5-26 ¹ / ₄	5-26 ¹ / ₄	5-26 ¹ / ₄
Berlin, Mark	40-14	40-14	40-14	40-14	40-14	40-14
Amsterdam, Guilder	53-89	53-81	53-79	53-64 ¹ / ₂	53-68	53-68
Copenhagen, Kr.	20-93	20-92 ¹ / ₂	20-92	20-93	20-92	20-92
Oslo, Kr.	23-56	23-55 ¹ / ₂	23-55	23-56	23-55	23-55
Stockholm, Kr.	24-16	24-15 ¹ / ₂	24-15	24-16	24-15	24-15
Athens, Dr.	0-86	0-86	0-86	0-86	0-86	0-86
Montreal, Can. \$	99-500	99-515	99-500	99-500	99-500	99-500
Yokohama, Yen	27-35	27-33	27-33	27-34	27-33	27-33
Shanghai, \$	16-10	16-10	16-10	16-10	16-05	16-05
B. Aires, Peso	29-08	29-07	29-07	29-08	29-07	29-07
Rio, Milreis†	5-95	5-95	5-95	5-95	5-95	5-95

Usance: T.T.

† Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended February 9, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
South Africa	20,709	...	Bermuda	...	2,996
Southern Rhodesia	37,364	...	Canada	10,933	793
Netherlands	77,572	33,997	Finland	1,861	...
Switzerland	18,754	51,891	Estonia	586	570
Egypt	11,013	...	Netherlands	...	17,589
Sierra Leone	16,724	...	France	9,482	17,566
Peru	65,970	...	United States	7,137,957	1,234
Total*	273,621	91,348	Total*	7,161,180	41,072
SILVER					
Eire	...	2,300	Canada	276	...
Gibraltar	...	6,592	Sweden	2,961	...
South Africa	7,907	...	Denmark	1,220	...
Australia	31,318	936	Netherlands	...	70
Belgium	30,939	275	Switzerland	2,405	...
France	126,692	216	United States	17,660	...
Iraq	...	4,771	Other Countries	1,547	...
Total*	198,363	15,317	Total	...	26,069

* Including other countries.

SHORTER COMMENTS

(Continued from p. 360)

H. Yager (London) Scheme.—It is proposed to reduce capital by £331,880 by cancelling 1,303,509 ordinary and 31,907 preference shares surrendered by Mr Harry Yager and Mr Solomon Yager, and by writing down preference shares from £1 to 9s. and ordinary shares from 1s. to 1½d. All shares would become one class of 1s. ordinary shares, and preference dividend arrears cancelled.

Manchester Ship Canal.—Net revenue for 1938, after interest, fixed charges and reserves, amounted to £144,834, compared with £271,923 for 1937. Distribution is 3½ per cent. on Corporation preference stock, 2 per cent. on the perpetual 5 per cent. preference (shares against 4 per cent.), and 1 per cent. on ordinary, compared with 2 per cent.

Watford and St. Albans Gas.—Gas sold during 1938 amounted to 1,792 million cubic feet, an increase of 1.67 per cent. Gross revenue for 1938 is £554,094, and net revenue £94,748, against £92,330 after £2,000 to special purposes fund. Dividend, 6½ per cent. for year, against 7 per cent. Dividend is reduced under sliding scale on account of increase in price of gas.

English Electric Company, Ltd.—This company's preliminary statement was discussed in *The Economist* of February 11, 1939, on page 309. In the full report, the balance sheet shows stock and work in progress at £1,668,841, compared with £1,957,320. Debtors and repayments are up from £2,267,916 to £2,749,452. Bank overdraft is reduced from £638,182 to £494,238.

Rawlplug Company, Ltd.—Net profit for 1938, £57,997 against £64,311. To reserve £5,000 (£10,000). Carry forward raised from £21,997 to £22,245. Ordinary dividend, 40 per cent. as before. It is stated that turnover has again increased.

Burma Corporation.—Gross revenue for the December quarter, 1938, amounted to £578,857, compared with £556,470 for previous three months. Expenditure was a trifle higher at £355,800, but surplus increased from £202,095 to £223,057. Taxation is estimated at £68,047 and depreciation takes £13,687.

Bovril, Ltd.—Net profits for 1938 show a reduction of £30,726, to £251,238. Deferred dividend is reduced from 6½ per cent. to 6 per cent., and transfer to reserve from £65,000 to £35,000; carry-forward, £73,852 against £71,364.

Bradford Dyers' Association, Ltd.—Preliminary figures for 1938 show a trading loss of £240,449, after £143,891 depreciation, against a profit for 1937 of £29,018, after £150,097 depreciation. Debenture interest increases loss to £298,599 (net loss for 1937, £29,132).

OVERSEAS TRADE RETURNS

	Imports (Value C.I.F.)		Exports (Value F.O.B.)	
	Month ended January 31	Month ended January 31	Month ended January 31	Month ended January 31
	1938	1939	1938	1939
I.—Food, Drink and Tobacco—				
A. Grain and Flour	6,963,458	4,737,687	149,985	102,359
B. Feeding-stuffs for Animals	992,041	1,014,509	52,743	68,124
C. Animals, Living, for Food	614,483	656,485	178	1,206
D. Meat	7,448,326	7,326,985	93,835	122,584
E. Dairy Produce	5,805,522	6,046,650	69,744	72,391
F. Fresh Fruit and Vegetables	2,990,104	3,372,937	38,176	40,484
G. Beverages and Cocoa Preparations	1,933,657	1,421,848	1,345,357	1,301,941
H. Other Food	4,268,876	4,965,486	869,722	1,010,662
I. Tobacco	2,803,774	2,137,423	410,798	403,335
Total, Class I	36,080,241	34,980,019	3,030,538	3,123,086
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	1,169	899	3,019,166	2,892,337
B. Other Non-Metalliferous Mining and Quarry Products and the like	417,344	350,670	73,039	86,267
C. Iron Ore and Scrap	1,862,198	393,022	10,846	75,753
D. Non-Ferrous Metalliferous Ores and Scrap	1,423,922	1,415,944	227,089	187,940
E. Wood and Timber	3,321,005	2,695,629	4,846	4,986
F. Raw Cotton and Cotton Waste	3,592,686	2,341,581	31,063	42,452
G. Wool, Raw and Waste, and Wollen Rags	4,512,376	5,502,456	521,195	616,087
H. Silk, Raw, Knobs and Noils	275,903	156,317	17,611	116,448
I. Other Textile Materials	1,463,357	1,522,979	28,056	2,542
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	2,722,421	1,973,895	249,105	166,943
K. Hides and Skins, Undressed	2,196,104	2,280,765	142,050	126,630
L. Paper-making Materials	1,707,518	1,508,506	108,892	95,820
M. Rubber	1,283,873	547,057	26,457	17,350
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	962,796	776,061	220,863	222,788
Total, Class II	25,742,672	21,465,781	4,680,278	4,654,343
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	474	789	404,114	385,630
B. Pottery, Glass, Abrasives, etc.	612,814	478,278	806,822	714,026
C. Iron and Steel and Manufactures thereof	2,821,139	855,373	4,127,733	2,608,265
D. Non-Ferrous Metals and Manufactures thereof	3,496,465	3,017,312	1,136,167	1,274,754
E. Cutlery, Hardware, Implements and Instruments	572,185	481,996	749,158	674,462
F. Electrical Goods and Apparatus	262,355	226,057	1,259,609	1,094,879
G. Machinery	1,990,292	1,837,621	4,784,096	4,568,176
H. Manufactures of Wood and Timber	632,885	477,670	83,263	70,856
I. Cotton Yarns and Manufactures	281,280	248,257	4,908,942	4,127,383
J. Woollen and Worsted Yarns and Manufactures	309,610	336,089	2,829,078	2,582,945
K. Silk Yarns and Manufactures	442,033	442,620	542,525	471,866
L. Manufactures of other Textile Materials	406,853	422,590	984,656	936,057
M. Apparel	653,809	583,987	800,164	740,881
N. Footwear	174,986	182,258	171,374	116,377
O. Chemicals, Drugs, Dyes and Colours	1,063,119	1,073,904	1,936,790	1,750,609
P. Oils, Fats and Resins, Manufactured	4,392,708	3,788,500	532,971	434,087
Q. Leather and Manufactures thereof	554,279	578,883	302,084	327,137
R. Paper, Cardboard, etc.	1,507,961	1,221,246	664,677	558,624
S. Vehicles (including Locomotives, Ships and Aircraft)	620,958	449,038	3,278,419	4,586,681
T. Rubber Manufactures	60,331	57,974	119,396	125,880
U. Miscellaneous Articles wholly or mainly Manufactured	1,678,125	1,600,745	2,173,124	2,298,278
Total, Class III	22,534,661	18,361,187	32,595,162	30,447,853
IV.—Animals, not for Food	188,231	192,304	70,301	70,855
V.—Parcel Post	333,744	571,120	806,853	1,183,461
Total	84,879,549	75,570,411	41,183,132	39,479,598

£29,132). Reserve of £150,000 transferred to profit and loss account. Carry-forward, Dr. £137,227, against Cr. £11,372.

Borax Consolidated, Ltd.—Total income year to September 30, 1938, £481,515 (£561,925). To depreciation reserve, £70,000 as before. Deferred share dividend 7½ per cent., absorbing £97,500, against 7½ per cent. plus 2½ per cent. bonus absorbing £130,000. Carry-forward raised from £237,068 to £241,528.

Freeman, Hardy and Willis.—Trading profit, 1938, £225,648 (against £254,564). To this is added £11,287 reserve for tax no longer required. Interest absorbs £10,000 and fees £3,664. Year's dividend on deferred ordinary is reduced from 4½ to 35 per cent., tax free. Carry-forward, £102,727, against £102,581.

Waygood-Otis, Ltd.—Increase in profits for 1938 of £10,516 to £136,776, after again placing £10,000 to pensions. Ordinary dividend is again maintained at 25 per cent., and previous year's special bonus of 20 per cent. repeated. Carry-forward, £10,555, against £13,279.

Birmingham Railway Carriage.—For 1938, profits were £146,781, an increase of £95,395. Ordinary dividend unchanged at 5 per cent., but with addition of 2½ per cent. bonus. Reserve receives £50,000; £15,000 written off buildings, plant, etc. (no allocations last year). Carry-forward raised from £27,106 to £50,563.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Feb. 12 (£'000)					Aggregate Gross Receipts 6 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
L. M. & S.—	390	494	309	803	1,996	2,299	2,867	1,879	4,746	7,045
1938	380	445	314	759	1,938	2,233	2,455	1,852	4,307	6,540
L. & N.E. (a)—	255	351	282	633	888	1,540	1,997	1,698	3,695	5,235
1938	256	299	272	571	827	1,494	1,674	1,588	3,262	4,756
Great Western—	160	196	123	319	498	972	1,175	780	1,955	2,927
1938	156	187	118	305	461	960	1,050	696	1,746	2,706
Southern—	257	61	38	99	355	1,560	349	229	578	2,138
1938	259	55	39	94	353	1,547	315	225	540	2,087
Total—	1,062	1,102	752	1,854	2,916	6,371	6,388	4,586	10,974	17,345
1938	1,051	986	743	1,729	2,780	6,234	5,494	4,361	9,855	16,089

(a) Week ended Feb. 11.

CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross decrease, first half 1938, over first half 1937	— 780	— 638	— 318	— 105
Gross decrease, second half 1938, over second half 1937	— 2,423	— 1,812	— 926	— 54
Gross decrease, first half 1939, over first half 1938	— 505	— 479	— 221	— 51
Weekly Figures				
Av. weekly decrease, 1st half 1939, latest week compared with 1938	— 84.16	— 79.83	— 36.83	— 8.50
Latest week compared with average 1927-30	— 54	— 61	— 18	— 3
1927-30	— 198	— 158	— 77	— 6

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended February 10, 1939 (£'000)			Aggregate Gross Receipts 6 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	1-6	0-4	2-0	10-0	2-4	12-4
1938	1-6	0-4	2-0	10-1	2-4	12-5
Great Northern—	8-0	8-4	16-4	48-1	48-8	96-9
1938	7-6	9-7	17-3	47-4	53-2	100-6
Great Southern—	27-7	40-7	68-4	166-4	253-7	420-1
1938	27-7	40-1	67-8	164-8	238-0	402-8

SUEZ CANAL RECEIPTS

(For headings see Overseas Traffic table)

	1939	1938	1937	1936	19
--	------	------	------	------	----

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1938				Prices, Year 1939 Jan. 1 to Feb. 15 inclusive				Prices, Year 1939 Jan. 1 to Feb. 15 inclusive				Prices, Year 1939 Jan. 1 to Feb. 15 inclusive				Prices, Year 1939 Jan. 1 to Feb. 15 inclusive			
High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est	
						</													

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		£	£	£	£	£	%	£	£	£	%
Anglo-International Bank ...	Dec. 31	Dr 528,794	Dr 21,731	Dr 550,525	£ ...	£ ...	...	£ ...	Dr 550,525	Dr 41,771	Nil
Breweries											
Bent's Brewery	Dec. 31	97,728	90,790	188,518	15,225	36,250	25	40,000	97,043	98,850	25
Boddington's Breweries ...	Dec. 31	6,612	53,676	60,288	16,500	29,700	9	6,000	8,088	54,179	9
Walker (P.) and Cain (R.) ...	Dec. 31	99,436	431,423	530,859	160,000	170,250	7½	96,890	103,719	456,547	7½
Electric Lighting & Power											
Lancashire Electric	Dec. 31	7,169	253,748	260,917	89,098	141,375	7	9,881	20,563	247,942	7½
London Power Company	Dec. 31	...	805,662	805,662	...	3,000	6	802,662	...	761,648	6
Yorkshire Electric Power ...	Dec. 31	95,115	602,947	698,062	70,600	145,000	8	385,000	97,462	569,180	8
Financial Land, etc.											
Canadian City, etc., Propts.	Oct. 31	Dr 14,846	Dr 4,940	Dr 19,786	...	...	...	...	Dr 19,786	Dr 4,610	Nil
Lamson Investments	Dec. 31	10,886	101,905	112,791	25,000	67,500	7½	...	20,291	100,261	7½
Mortgage Co. of R. Plate ...	Dec. 31	56,668	48,838	105,506	15,000	27,000	9	...	63,506	52,831	9
Nat. Mtge., etc., Co. of N.Z.	Sep. 30	15,672	24,692	40,364	...	17,078	5½	7,407	15,879	25,882	7½
Gas											
Barnet District	Dec. 31	54,506	42,508	97,014	4,895	40,025	7	...	52,094	51,294	7
Croydon Gas	Dec. 31	54,959	121,417	176,376	4,350	90,408	5 & 7	26,000	55,618	137,561	5 & 7
Gloucester Gas Light	Dec. 31	11,916	15,894	27,810	...	14,135	5½	Dr 372	14,047	16,737	5
Maldstone Gas	Dec. 31	6,719	14,578	21,297	...	14,916	9	...	6,381	17,922	9
South Staffordshire Mond...	Dec. 31	22,681	10,601	33,282	4,950	3,666	1½	...	24,666	14,281	2½
Southampton Gaslight	Dec. 31	31,473	57,715	89,188	8,433	42,276	5½	...	38,479	65,275	5½
Wakefield Gaslight	Dec. 31	2,511	9,065	11,576	816	9,076	6½ & 5	...	1,684	10,557	6½ & 5
Watford & St. Albans	Dec. 31	31,107	66,786	97,893	35,781	27,837	6½	...	34,275	64,692	7
Hotels and Restaurants											
Langham Hotel	Dec. 31	17,410	10,354	27,764	...	8,740	14	500	18,524	17,044	16
Quaglino's, Ltd.	Dec. 29	459	16,187	16,646	...	7,750	5	8,230	666	24,647	10
Motor Cycle & Aviation											
Napier (D.) & Son	Sep. 30	99,534	108,840	208,374	37,060	19,793	5	48,445	103,076	65,047	Nil
R.F.D. Co. of N.Z.	Dec. 31	2,382	15,722	18,104	...	11,250	15	4,000	2,854	(a)	(a)
Iron, Coal and Steel											
Mather and Platt	Dec. 31	74,664	212,449	287,113	20,000	184,094	13½	...	83,019	209,786	13½
Shireoaks Colliery	Dec. 31	24,464	33,594	58,058	...	30,796	6½	2,500	24,762	33,902	7
Shipping											
Isle of Man Steam	Dec. 31	15,646	36,901	52,547	...	36,000	6	...	16,547	40,681	6
Shops and Stores											
Freeman, Hardy & Willis ...	Dec. 31	102,581	223,271	325,852	45,000	83,125	35½	...	102,727	241,464	42½
Sears (J.) & Co.	Dec. 31	146,060	232,455	378,515	161,882	60,492	15	10,000	146,141	262,369	13½
Textiles											
Fleming, Reid & Co.	Dec. 31	51,237	130,419	181,656	7,612	87,227	13½	36,012	50,805	155,099	17½
Jackson and Steeple	Jan. 4	1,322	2,727	4,049	...	1,903	2½	...	2,146	5,260	5
Trusts											
Average Trust	Dec. 31	80	1,278	1,358	350	375	2½	180	453	(a)	(a)
Bay Hall Trust	Dec. 31	37,535	73,333	110,868	...	60,353	6	...	50,515	78,954	6
Lancashire & London	Dec. 31	1,018	886	1,904	...	717	3	...	1,187	(a)	(a)
Mercantile Investment, etc.	Jan. 31	118,550	233,477	352,027	63,620	152,870	12	15,000	120,537	245,398	12
Midland-Caledonian	Dec. 31	8,032	12,723	20,755	...	10,605	6	...	10,150	12,912	6
Second British Assets	Dec. 31	47,368	32,444	79,812	17,249	12,774	5	...	49,789	44,511	7
Waterworks											
East Worcestershire	Dec. 31*	17,629	5,900	23,529	986	4,000	10	1,250	17,293	8,462	10
Other Companies											
Angus (George) & Co.	Dec. 31	16,877	17,818	34,695	4,800	16,125	4½	...	13,770	29,322	1½
Birmingham Rly. Carriage...	Dec. 31	27,106	146,781	173,887	4,350	53,884	7½	65,000	50,653	51,386	5
Bovril, Ltd.	Dec. 31	71,364	267,223	338,587	78,750	60,000	7½	50,985	73,852	295,058	6½
Borax Consolidated	Sep. 30	237,068	292,785	529,853	80,000	97,500	7½	110,825	241,528	373,732	10
British Wagon	Dec. 31	28,867	33,204	62,071	21,206	22,206	22½	10,000	30,865	37,519	22½
Churchill and Sim	Dec. 31	...	18,816	18,816	10,083	...	...	2,607	6,126	(a)	(a)
Copestake, Crampton & Co.	Dec. 31	8,154	4,345	12,499	...	8,700	2	...	3,799	17,751	3½
English Electric Co.	Dec. 31	54,287	615,209	669,496	73,830	144,347	10	384,054	67,265	499,685	10
Foy, Morgan & Co.	Dec. 31	9,941	35,469	45,410	22,014	10,000	1,000+	4,600	8,796	71,109	3,600+
Griffiths (William) & Co.	Oct. 31	16,808	11,187	27,995	...	8,938	6½	12,000	7,057	9,774	5½
Hartley (Wm. P.)	Oct. 31	8,509	77,688	86,197	18,125	29,000	8	26,992	12,080	63,631	5
Heath (G. H.) & Co.	Dec. 31	15,512	70,441	85,953	9,000	22,500	15	35,413	19,040	71,697	15
Imp. Tob. Co. (G.B. & I.)	Oct. 31	1,441,405	10,686,053	12,127,458	852,209	9,390,762	25½	500,000	1,384,487	107,506,008	25½
Ismay Industries	Oct. 31	12,444	Dr 31,104	Dr 18,660	15,257	...	...	Dr 15,257	Dr 18,660	(a)	(a)
Johnson and Slater	Dec. 31	3,522	1,151	4,673	4,078	...	...	...	595	25,229	5
Liverpool Daily Post	Dec. 31	67,844	229,954	297,798	10,000	175,000	25	...	112,798	251,494	25
London Produce Clearing	Dec. 31	26,347	32,280	58,627	...	33,750	15(c)	...	24,877	47,787	15(c)
Monsanto Chemicals	Dec. 31	219,969	150,110	370,079	16,088	100,000	33½	57,202	196,789	170,572	33½
Oldham Paper Staining	Dec. 31	1,575	6,602	8,177	3,000	2,537	5	...	2,640	(a)	(a)
Perry and Co.	Dec. 31	33,074	22,165	55,239	10,907	8,720	7½	...	35,612	40,331	15
Phillips (J. & N.) & Co.	Jan. 19	3,058	43,708	46,766	60,667	...	...	Dr 16,959	3,058	81,426	2
Prior Burners	Dec. 31	1,000	5,189	6,189	...	5,097	3½	...	1,092	7,993	2½
Range Boilers	Dec. 31	1,877	18,929	20,806	2,610	10,150	20	5,472	2,574	23,325	20
Rawplug Co.	Dec. 31	21,997	58,198	80,195	12,750	40,000	40	5,000	22,445	64,311	40
Scottish Waggon	Dec. 31	5,054	9,059	14,113	...	9,135	10	...	4,978	9,079	10
Southalls (Birmingham)	Dec. 31	26,439	90,465	116,904	...	58,500	25½	30,000	28,404	89,346	20½
Webley and Scott	Dec. 31	10,120	46,568	56,688	...	18,844	25	22,000	15,844	27,340	15
Weyburn Engineering	Oct. 31	3,342	23,314	26,656	2,640	13,050	30	6,500	4,466	19,767	25
Total Profits, 1939, in £'000's	No. of Cos.										
To February 11	196	9,528	20,579	30,107	3,342	13,315	...	3,075	10,375	22,340	...
To February 18	254	13,241	37,680	50,921	5,409	25,460	...	5,879	14,173	39,656	...

† Free of Income Tax. (a) No comparable figure. (b) Preferred ordinary shares. (c) Also £56 5s. per £10 founders' share.
* For half-year. (m) Ordinary shares. (n) Deferred shares. (s) 16 months.

Industry and Trade

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)				
District	Week ended		Jan.-December	
	Jan. 28, 1939	Feb. 4, 1939	1937	1938
Northumberland	297.5	307.3	14,365.5	13,437.3
Durham	660.8	672.6	33,550.5	31,533.5
Yorkshire	951.1	951.4	45,384.7	42,598.8
Lancs., Cheshire and N. Wales	362.3	364.1	17,743.3	17,040.5
Derby, Notts & Leicester	691.0	720.6	33,863.8	32,160.0
Staffs., Worcs., Salop. and Warwick	420.7	432.4	20,203.2	19,586.9
South Wales & Monmouth	671.1	721.6	38,245.5	35,901.1
Other English districts*	117.3	119.0	5,564.2	5,477.0
Scotland	648.6	646.0	32,261.3	30,479.1
Total	4,820.4	4,935.0	241,182.0	228,214.2

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	Feb. 3, 1939	Feb. 10, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	20.0	19.0	716	553
Brazilian	6.5	6.1	186	150
Peruvian, etc.	2.6	2.4	74	58
Egyptian	8.3	5.9	188	157
Sudan Sakel	1.8	2.4	91	80
East Indian	4.1	6.4	172	192
Other countries	2.6	2.0	108	90
Total	45.9	44.2	1,535	1,280

Metals

SALES ON LONDON METAL EXCHANGE

	Week ending		From Jan. 1 to Feb. 15, 1939
	Feb. 8, 1939	Feb. 15, 1939	
Copper	5,925	4,600	39,800
Tin	1,230	1,275	9,730
Lead	5,750	4,700	40,000
Spelter	3,575	2,425	23,270

U.K. STOCKS

	Feb. 4, 1939	Feb. 11, 1939
Copper (Br. official w'houses):	5,357	5,705
Refined	26,707	26,698
Rough	10,433	10,324
Tin (London and Liverpool)	...	...

||
||
||

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				SUGAR (per cwt.)—cont.			
Feb. 8, 1939				Feb. 8, 1939			
Feb. 15, 1939				Feb. 15, 1939			
GRAIN, etc.—				CUBES			
Wheat—				Crushed			
No. 2, N. Man. 496 lb.				Granulated			
Eng. Guz. av., per cwt.				Home Grown			
Liv. Mar., per cental				TEA* (Auction Average) (per lb.)			
Flour, per 280 lb.				N. India			
Straights, d/d London				S. India			
Manitoba, ex store				Ceylon			
Barley, Eng. Guz., av. per cwt.				Java			
Oats				Sumatra			
Maize, La Plata, landed, 480 lb.				Africa			
Rice, No. 2 Burma, per cwt.				Total			
MEAT—				TOBACCO (per lb.)—			
Beef, per 8 lbs.—				Virginia stemmed and un-			
English long sides				stemmed, common to fine			
Argentine chilled hinds				Rhodesian stemmed and un-			
Mutton, per 8 lbs.—				stemmed			
English wethers				Nyasaland stemmed and un-			
N.Z. frozen wethers				stemmed			
Lamb, per 8 lbs.—				East Indian			
N.Z. frozen				Steamed			
Pork, English, per 8 lbs.				Unstemmed			
BACON (per cwt.)—				COTTON (per lb.)—			
English				Raw, Mid-American			
Danish				" Sakelaris, F.G.F.			
Dutch				" Giza, F.G.F.			
Irish				Yarns 32's Twist			
HAMS (per cwt.)—				" 40's Twist			
Canadian				" 60's Twist (Egyptian)			
United States				Cloth, 32 in. Printers, 116 yds.			
OTHER FOODS				" 16x16, 32's & 50's			
BUTTER (per cwt.)—				" 36 in. Shirtings, 75 yds.			
Australian				" 19x19, 32's & 40's			
New Zealand				" 38 in. ditto, 38 yds.			
Danish				" 18x16, 10 lb.			
CHEESE (per cwt.)—				" 39 in. ditto, 37½ yds.			
Canadian				" 16x15, 8½ lb.			
New Zealand				FLAX (per ton)—			
English Cheddars				Livonian ZK			
Dutch				Pernau HD			
COCOA (per cwt.)				Slanetz Mediums, 1st sort			
Accra, g.t.				HEMP (per ton)—			
Trinidad				Italian PC			
Grenada				Manilla, Feb.-Apr. "J2"			
COFFEE (per cwt.)—				JUTE (per ton)—			
Santos sup. c. & f.				Native 1st mks., c.i.f. H.A.R.B.			
Costa Rica, medium to good				Feb.-Mar.			
Kenya, medium				Dalsec 213 c.i.f. Dundee			
EGGS (per 120)—				Feb.-Mar.			
English (15-15½ lb.)				Sisal (per ton)—			
Danish (15½ lb.)				African, Feb.-Apr.			
FRUIT—				SILK (per lb.)—			
Oranges, S. African boxes				Canton			
" Brazilian Rio Pera boxes				Japan			
" Jaffa, boxes				Italian, raw, fr. Milan			
Lemons, Naples boxes				WOOL (per lb.)—			
" Sicilian boxes				English, Southdown, greasy			
Apples, Amer. (var.) barrels				" Lincoln hog, washed			
" Canadian: Nova Scotian (var.) barrels				Queensland, scd. super combg.			
Grapes, S. Africa, Bxs. A.Lavalle				N.S.W. greasy, super combg.			
Grapefruit, S. African				N.Z. greasy, half-bred 50-56			
" Jamaica				Crossbred 40-44			
" Jaffa, Seedless				Tops—			
" Cyprus, seedless				Merinos 70's average			
" Texas (March Seedless)				Crossbred 48's			
LARD (per cwt.)—				Crossbred 46's			
Irish, finest bladders				MINERALS			
U.S.				COAL (per ton)—			
PEPPER per lb.—				Welsh, best Admiralty			
Black Lampong (in Bond)				Durham, best gas, f.o.b. Tyne			
(Duty paid)				Sheffield, best house, at pits			
White Muntok (f.a.q.) (in Bond)				IRON AND STEEL (per ton)—			
(Duty paid)				Pig, Cleveland No. 3, d.d.			
POTATOES (per cwt.)—				Bars, Middlesbrough			
English, King Edward, Siltland				Steel rails, heavy			
SUGAR (per cwt.)—				Tinplates, per box			
Centrifugals, 96%, prpt. shipm.				NON-FERROUS METALS (per ton)			
c.i.f. U.K./Cont.				Copper—			
Refined London				Standard cash			
Yellow Crystals				Three months			

THE ECONOMIST

Vol. CXXXIV

MARCH 4, 1939

No. 4984

CONTENTS

LEADING ARTICLES

General Franco Recognised	429
The Future of the Commonwealth	430
Property in Britain	431
The Estimates	433

TOPICS OF THE WEEK

Pius XII	434
Civilian Defence	434
Outstanding Tasks	435
Crisis in the Palestine Talks	435
Poland, Germany and Italy	435
Japan and Shanghai	436
Peace and War in American	436
Politics	436
M. Spaak's Successor Falls	436
Hungary Strikes at Extremism	437
Trouble with the Marketing Boards	437
Shop Hours	437
Wages and Illness	438
B.B.C. Finance	438
The Indian Budget	438
Mr Bose and Mr Gandhi	438

OVERSEAS CORRESPONDENCE

United States; France; Germany;	
Czecho-Slovakia; Hungary; Bul-	
garia; Estonia	439

LETTERS TO THE EDITOR

Nazi Economics	444
Profits Indices	444

BOOKS AND PUBLICATIONS

Shorter Notices	445
Books Received	445

BRITISH RAILWAYS

1. Recovery in Home Rails	446
2. The "Square Deal" Back-	
ground	447
3. The Railways' Capital Problem	449

THE BUSINESS WORLD

LEADING ARTICLE	
Tin Under Control	451
FINANCE AND BANKING	
The Currency Act in Force	452
More Treasury Bills?	453
Bank of England Recognises	
General Franco	453
Rationing in Gold	453
Hongkong and Shanghai Banking	
Corporation	453
The Royal Bank of Canada	453
MONEY MARKET NOTES	454

INSURANCE NOTES

The National Mutual Life Assur-	
ance Society	455
The Scottish Widows' Fund	455
Pearl Assurance Company	455
The Scottish Temperance and	
General Assurance Company	456
Limited	456

INVESTMENT

Markets Make Progress	456
Sharepushing Bill in the Lords	456

INVESTMENT—cont.

Foreign Bonds Recovery	457
Idle Capital Market	457
Gallaher Progress	457
London Brick Profits Maintained	458
Metropolitan Electric	458
Midland Counties Electric	459
Northampton Electric	459
The Week's Company Profits	460
Company Meetings of the Week	460

THE STOCK EXCHANGES

THE STOCK EXCHANGES	460
---------------------	-----

CAPITAL ISSUES

CAPITAL ISSUES	463
----------------	-----

SHORTER COMMENTS

SHORTER COMMENTS	463
------------------	-----

INDUSTRY AND TRADE

Coal-mining Profits in 1938	464
Anglo-Polish Talks	464
Fall in Value of Building Plans	465
British Shipping	465
Fall in Cocoa Prices	465
Oats and Barley Subsidy	465
Changes in the Retail Trade Index	466
Retail Trade in January	466
Advance in Prices	466

INDUSTRIAL REPORTS

INDUSTRIAL REPORTS	467
--------------------	-----

THE COMMODITY MARKETS

THE COMMODITY MARKETS	468
-----------------------	-----

COMPANY MEETINGS

COMPANY MEETINGS	469
------------------	-----

CURRENT STATISTICS

CURRENT STATISTICS	477
--------------------	-----

General Franco Recognised

THE recognition of General Franco's Administration as the legitimate Government of Spain was decided upon by the British Government over the week-end and by the French Government on Monday afternoon. Since the conquest of Catalonia and the appearance of a division of counsels in the Republican Government it has been evident that General Franco would obtain this recognition from the two West European Powers in the near future. The practical question, latterly, whether the French Government were wise or unwisely, and were likely to succeed or to fail, in their attempts to make recognition conditional. The terms which the French had in mind were laudable in themselves; they wanted some assurance of an amnesty for the Spanish Nationalists' Republican opponents, and of General Franco's intention to repatriate the foreign troops in his forces as soon as the war was over. The French, however, had nothing to bargain with; and the Spanish Nationalists, on their side, were not in a mood for bargaining when they saw themselves on the verge of what might prove to be a completely victorious termination to a desperate and devastating war. As a result, the British and French recognition of General Franco's Government has been given this week unconditionally—for no pledge to us is involved in General Franco's public statements, mentioned by Mr Chamberlain in the House of Commons on Monday, that he was determined to secure the traditional independence of Spain and

that he would prosecute only those, on the Republican side, against whom criminal charges had been laid.

The present situation is the inevitable cumulative consequence of British and French policy towards Spain ever since the outbreak of war there in July, 1936; and all persistent critics of that policy must feel incensed and alarmed at the pass to which it has now brought us. The device of a so-called "non-intervention" arrangement, which had nothing but the name in common with the meaning of the term, may have averted the danger (small or great) of the war in Spain spreading over the rest of Europe and the world. But this good has been bought at the price of the two evils of weighting the scales unfairly, and in the end decisively, against a Republican Government which was the legitimate Government of Spain, and at the same time exposing our own two countries to a mortal danger.

At this moment the German and Italian Press are boasting that our worst fears are about to be realised; that General Franco—or at least the preponderant element in the Nationalist ranks, whatever it may prove to be—is going to carry Spain into the Italo-German camp; and that the result will be to incline the balance of power still further in favour of the Axis—and this to a degree that will far more than counteract the effects of French, British and American re-armament. If these Italo-German boasts came true, the Western Powers would, in fact, find their Southern flank turned and the scales weighted against them,

not only in the Mediterranean and on the Pyrenees, but also in Africa and even to some extent in the Atlantic. We have given General Franco unconditional recognition, without being able to secure any material guarantee that he will not lend Spain to this formidable Italo-German manoeuvre to our detriment; and, until the future course of Spanish Nationalist policy becomes clear, our own position will continue to be very awkward and anxious.

Equally, however, we have no evidence that the Spanish Nationalists do mean to become a cat's paw for the Rome-Berlin Axis. Against the boasts of the Italian and German Press we must set their undisguised nervousness and irritation at the *pourparlers* between the Spanish Nationalists and the two Western Powers. This temper suggests that the Central Powers, too, are without any guarantee.

On the face of it, the interest of Nationalist Spain, from now onwards, would seem to be to practise, in fact if not in juridical form, that neutrality which General Franco himself proclaimed during the September crisis. If they have now virtually won a complete military victory which cannot be reversed—and this is the opinion of President Azaña, as advised by his chief of staff—then the presence of German and Italian troops in Spain has ceased to be a military necessity for the Spanish Nationalists, and has become instead a political, as well as a financial, liability. And we can hardly imagine that any Government of Spain, whatever its political complexion, would be so dominated by ideological, as opposed to patriotic, enthusiasm that, on the morrow of a long and exhausting civil war from which it had just emerged victorious, it would throw itself into a general war, in which Spain would again be in the thick of the fight with its Government a pawn and not a player.

So long as foreign armed forces remain in Spain, however, Spanish hands may be forced. At this moment General Franco must be uncomfortably conscious of the fate of Turkey, who, before the end of 1914, was forced into the last general war—with consequences disastrous to herself—as her reward for having given asylum to two German warships. The bombardment of Russian Black Sea

ports by the *Goeben* and the *Breslau*, operating from Turkish naval bases, might be emulated by German aeroplanes bombarding Bordeaux and Toulouse from aerodromes on Spanish soil. Such considerations suggest that an early and complete evacuation of all foreign troops is an important Spanish, as well as Franco-British, interest.

As for Tuesday's debate in the House of Commons on a Labour motion of censure, it added little to our knowledge of facts and made not a hair's breadth of difference to Mr Chamberlain's policy in Spain. The question of days, hours and minutes, in last week's Cabinet and Parliamentary proceedings, on which the debate was raised, is not the question of substance. The Anglo-French recognition of General Franco this week is a consequence of his military success in a war that has been going on for more than two and a half years; General Franco's success, in its turn, is a consequence of "non-intervention," and the only way of averting General Franco's victory by means of Italo-German intervention would have been to turn the British and French Governments out of office six months, twelve months or eighteen months ago.

The paradox of the present political situation in this country is that it is not Mr Chamberlain, but Mr Attlee, who is at this moment exerting himself to prevent the formation of an Opposition that might have a chance of turning the present Government out. So long as this situation remains unchanged the Labour Party's fulminations against Mr Chamberlain will remain unconvincing. In Spain they used to practise a "rotativism" by which two nominally contending political parties took office and resigned it, turn and turn about, on an agreed time-table. Mr Attlee's tacit understanding with Mr Chamberlain is still more quaint. He will see to it that Mr Chamberlain and his friends shall be His Majesty's eternal Government so long as Mr Attlee and his friends can be sure of being His Majesty's eternal Opposition. Periodical douches of vituperation from the Labour front bench must be a cheap price for Mr Chamberlain to pay for this application of the principle of collective security to party politics.

The Future of the Commonwealth

MUNICH, the days that immediately preceded it and the events that have come after, have plainly affected vitally both the position of the British Commonwealth nations in the world and their relations with each other. It was therefore to be regretted in many ways that the Sydney Conference, summoned by the various institutes of international affairs in the Commonwealth to discuss questions of economics, foreign policy and defence, should have met just when it did, in the first fortnight in September last. Before it met, Sir John Simon had made his Lanark speech, implicitly threatening British intervention if Czecho-Slovakia should be attacked and France should rally to her defence; when it ended, the Anglo-French plan had not yet been divulged. The agenda of the Conference was planned and its discussions launched upon one false premise, and it wound up its debates upon another. The first assumption was that, in the existing state of international affairs, a practical start could be made towards constructing a new and peaceful world order without urgent risk of world war. The second was that, even if world war should result within a few weeks or even days, the peace-loving and democratic States were at last prepared to stand together in defiance of aggression.

In spite of the falsity of some of its underlying assumptions, the Proceedings* of the Conference are nevertheless

a document of considerable importance for the student of British Commonwealth relations. For they depict the problems, the outlook and the aspirations of the Commonwealth and its member States at a critical moment in its history, a moment of transition from a world of fairly peaceable and ordered progress, at least in the Commonwealth itself, to a world in which world war is "just around the corner."

That the new phase in world affairs is likely to be one of increased difficulty in Commonwealth relations is plain from these pages themselves. As the Conference Recorder notes, the view was generally held and never challenged "that the Commonwealth cannot find an adequate inspiration for its own life from within itself alone." Seeking such an inspiration, and thus seeking the common principle necessary to unify the policies of its autonomous members, the Conference found its discussions turning much upon the phrase "a world order." One delegate accused the Conference of letting that phrase become a mere intellectual and emotional soporific. It is certainly true that the members of the Sydney Conference were not united upon the meaning of a "world order" as an objective of current policy, some wanting a collective-security league and some an "appeasement" league, some wanting to combine anti-Fascism or anti-dictatorship with their approach to a world order, others refusing thus to line up in an armed balance of power. The Conference, with its valuable preparatory papers, made clear that this difference of opinion among individuals has had its counterpart in differences between

the national policies of the member nations of the Commonwealth. Thus the New Zealand Government's policy of full automatic collective security was seen to be quite incompatible with the "no-commitments" policy of the Canadian Government; and non-intervention in Spain, said to be the only policy not disastrous for Australia, was described as "unintelligible" to most Canadians. But the Sydney Conference showed these differences to be overlaid by a half-blind grasping after an ideal international objective, capable not only of inspiring national policies but also of uniting them in a Commonwealth purpose.

It will not be so easy to establish the common objective in the post-Munich world. And the Sydney Conference gave warning that, in such a world, the old issue of Dominion neutrality is likely to cause a good deal of trouble. It appears that Canada raised this matter most keenly. Neither Australians nor New Zealanders hanker after a theoretical right of neutrality which they feel they would have no power to exercise. Probably most Irishmen and South Africans believe their countries to possess the right already in practice, since their Governments have often asserted, without contradiction from Westminster, that, if Britain were to be involved in war, Ireland or South Africa alone would decide whether and to what extent they would participate. Canadian official policy is already close to this position, but there is an intellectual school, well represented at Sydney, which demands the formal declaration of a right of Dominion neutrality, as an essential requisite of Dominion independence in foreign policy. There is also, of course, a powerful Canadian opposition to any such move. Therefore, in order to preserve at least an appearance of national unity, the overseas Dominions have avoided formal and irrevocable declarations, addressed to the foreign world, on the right of neutrality.

A leading member of the United Kingdom delegation, opening a discussion on the future of the Commonwealth, described the formal right of neutrality (which in his view involved secession and the treatment of each other as foreign countries by the members of the Commonwealth) as

the only alternative to a unitary or federal empire. But many delegates refused to accept this dilemma. They advanced a "new orthodoxy" about British Commonwealth relations, which would admit into the Commonwealth circle a potentially neutral or even a republican country. If there is no present basis for "closer union," asked one Australian, cannot a "lesser unity" be organised and made effective? A merely "consultative Commonwealth" was described as capable at least "of co-operation for mutual security, even if based on difference; of the mitigation of nationalism in the organisation of mutual trade; of the pooling of administrative and technical experience; of training citizens in a wider loyalty; of the renunciation of war among its members." Even within such a Commonwealth there will be different degrees of strength in the basis of co-operation, particularly for mutual defence, and therefore differences in the degree and the character of co-operation itself. "In defence, where realistic views must always be taken, the nations of the Commonwealth already practise greatly varying degrees and kinds of peacetime co-operation, and this was likely to continue and be intensified."

It is not only from the Dominions' end that the degree of willingness to co-operate may vary in the future. A Labour member of the United Kingdom delegation struck a warning note when he suggested that the working people of his country might not be prepared for ever to undertake to fight wars for the Dominions at the other ends of the earth, when the Dominions themselves gave no firm reciprocal assurance to the United Kingdom. The same delegate declared to his Dominion colleagues that, once the British people felt that a reasonable national security had been re-established, they would again "fight hard towards a world order. And in that," he added, "we shall be glad to go back feeling that you are with us in the job." The British Commonwealth of the next few years may be a Commonwealth beset with difficulties bred of isolationism and lack of a tangible yet inspiring common purpose in international affairs; but at least it will be a Commonwealth that gets down to brass tacks.

Property in Britain

IT used to be said that economics was the science of wealth. Nowadays economists are more inclined to call it the study of scarcity. Be that as it may, there is still no more important branch of economic inquiry than the measurement of the wealth of nations. The ability of a country to satisfy the wants and needs of its people is strictly limited by the size of its national income; the real test of a nation's economic progress is the rate at which output per head of the population is rising; and the true criterion of a democratic society is the degree to which it is free from onerous and wasteful inequalities in the distribution of incomes and property.

British tradition in this field of investigation is especially strong. The researches of Sir Robert Giffen, Sir Bernard Mallet, Professor Bowley, Lord Stamp and Mr. Colin Clark into Britain's national income and capital ~~are~~ very well known, and no recent contributions to this statistical stock-taking have been more significant than the work of Mr H. Campion. Mr Campion's special corner of the field is the measurement of property. Initially, he set out to measure the value and distribution of British property since the war, and an admirable little book* has recently been published containing the final results of his work. Everybody interested in the structure of our society should read it.

His first goal is to compute the value of property in private hands. This embraces all property, such as furniture, household goods, houses, Government securities,

stocks and shares, etc., which is individually owned and "capable of absolute individual disposal." Its value can be estimated on the basis of known mortality rates (with allowances for exempt estates and so on) from the yearly returns of property made on the death of individual owners for the purposes of estate duty. In 1932-34 the value of property in private hands, measured in this way, was, roughly, £20,000 millions.

This method of measurement, however, is incomplete. It tells us that by far the greater part of British property, probably not less than three-quarters or more than four-fifths, is subject to absolute rights of individual ownership; and this information is most important. But it does not bring in all kinds of private property. It ignores the existence of property held corporately. Clubs, livery companies, co-operative, friendly and provident societies, and mutual assurance companies are cases in point.

Mr Campion accordingly sets out to calculate the value of all private property, whether it is held individually or corporately. Following Giffen, he takes the Inland Revenue returns of the income derived from all sorts of property. He capitalises each item of income at an appropriate number of years' purchase; he values the income of trading concerns on the basis of Stock Exchange yields; and he adds on an allowance for the value of furniture, motor cars, household goods and stock in trade. This time his results run as shown in the first table overleaf.

The share of land, houses and buildings in total private property, by this ready reckoning, has fallen from 31 per cent. in 1911-13 to 22.7 per cent. in 1932-34. The share

* "The British Commonwealth and the Future." Proceedings of the second unofficial Conference on British Commonwealth Relations, Sydney, 3rd to 17th September, 1938. Edited by H. V. Hodson. (London) Oxford University Press. 8s. 6d.

* "Public and Private Property in Great Britain." By H. Campion. Oxford University Press. 138 pages. 8s. 6d.

ESTIMATED VALUE OF TOTAL PRIVATE PROPERTY IN GREAT BRITAIN*
(£ millions)

	1911-13	1926-28	1932-34
Total.....	11,090-12,890	21,110-23,290	20,810-24,530
Land	755-815	700-780	580-760
Houses and buildings	2,820-3,060	3,700-4,500	4,100-5,100
Farmers' capital	250-320	400-450	370-450
British and foreign govt. securities	1,150-1,250	4,980-5,180	6,080-6,880
Other securities and possessions abroad.....	1,080-1,640	1,300-1,500	1,050-1,450
Railways in Gt. Britain	1,020-1,100	810-890	720-800
Capital of industry, transport, commerce and finance	3,590-6,030	8,470-9,000	7,360-8,290
Furniture and movable property	425-675	750-1,190	550-900

* Both the tables in this article are Mr. Campion's own.

of British and foreign Government securities among private assets has risen from 10 per cent. to 28.7 per cent. The over-all total in 1932-34 is, say, £22,670 millions.

So far Mr. Campion's careful calculations, though possibly the most precise obtainable, are nevertheless highly approximate. When he comes to his next category, that of public property, this is even more the case. Public property consists of property held by the State, local authorities and general charities. Part can be valued by the Giffen method: income arising from houses in public hands, and from municipal trading undertakings is assessed for tax, and can be capitalised on the basis of the Inland Revenue returns. For the rest it is not so easy. Public libraries, schools and hospitals, for instance, are never assessed for tax or duty. The land and buildings of State departments, such as the Post Office, the dockyards and the Royal Mint, are only formally valued for balance-sheet purposes. Any remotely satisfactory basis for the valuation of battleships, guns, tanks and roads is very difficult to find. Nevertheless, Mr. Campion perseveres, and, excluding for the moment armaments and roads, he presents the following figures:—

ESTIMATED VALUE OF PUBLIC PROPERTY
(£ millions)

	1911-13	1926-28	1932-34
Total.....	975-1,225	1,950-2,590	2,455-3,325
Land and buildings	185-235	430-630	490-750
Government securities	220-290	550-610	725-855
Other property	570-700	970-1,350	1,240-1,720

These estimates are rough and ready, but they suffice to indicate the gains made by public ownership in a mere quarter century. The most marked features are the rise in the funds held by Government departments, mainly on account of social security schemes, and "the acquisition of land and erection of houses by local authorities."

This, then, is the picture Mr. Campion paints with his excellently devised statistics. While *total* private property has risen in value from £11,990 millions in 1911-13 to £22,300 millions in 1926-28 and £22,670 millions in 1932-34, public property (excluding armaments and roads) has advanced from £1,100 millions to £2,890 millions. As they stand, however, these figures cannot thus be used to measure the relative growth of private and collective ownership. When we put them side by side there is a serious duplication. As Mr. Campion points out, State and local debts are classed as private property, and the assets against which they should be set off as public property.

First of all we must deduct from total private property the market values of British Government securities and local loans, and from public property the Government securities held by Government departments and the Government securities and local loans held by charities. That done, we find that, expressed as a proportion of total private property, public property rose from 6.8 per cent. in 1911-13 to 8-12 per cent. in 1932-34.

Even this is still not a satisfactory statement of the position. It underestimates the statistical importance of public property in the last twenty-five years for two reasons: it omits altogether the great value of roads and armaments; and it puts the property of public corporations—like the British Broadcasting Corporation, the Central Electricity Board and the London Passenger Transport Board—on what may very well be the wrong side of the ledger, the private side. It is true that none of these is publicly owned like the Post Office. The capital of two, the L.P.T.B. and the C.E.B., is privately subscribed. But all three represent property subject to close State control and quasi-public ownership. If the value of roads and armaments is, very tentatively, put at between £500-£1,000 millions (here this quite arbitrary estimate of Mr. Campion's is surely far too small), and if the capital of the B.B.C., the L.P.T.B. and the C.E.B. is taken to be about £150 millions and regarded as public instead of private, the present percentage relation which public property bears to private is raised from 10 to 14 per cent., from one-tenth to one-seventh. This is almost certainly a truer picture.

Nor does the social significance of public property end with its merely statistical importance. The growth of public property reflects increased social services. The *benefits* of property have been more greatly extended than the rights of property. Death duties, which bring in £70-£80 millions a year, tend to spread the advantages of ownership over the community. Income and sur-tax, which take two-fifths of the total of all incomes over £2,000 a year, restrain the heaping-up of fortunes.

The setting-in of a tide towards greater equality of wealth can be seen in other ways as well. In 1936 at least one-fifth of all householders owned or were buying the houses they lived in. Not less than one-third of the adult population (over 25 years of age) had property worth more than £100. The ownership of savings bank deposits and Government securities was more widespread than ever.

Yet even when all these tendencies towards equality are added together, the chief characteristic of the society we live in is its tremendous inequalities. Five per cent. of the adults aged 25 or over own 75-80 per cent. of Britain's property; one per cent. own 55 per cent. One-half of one per cent. of the population receive one-sixth of the national income from all sources. Ninety per cent. of the population have to be content with one-half of the national income.

Few economists would dissent from Mr. Campion's comment on this state of affairs. "The inequality of the distribution of private property is perhaps the most important factor producing inequality of incomes." Income from property amounts to about one-quarter of the total income arising within this country, just as it did in 1911. Thirty per cent. of the persons receiving more than £10,000 a year in 1922-23 drew the *whole* of their income from property. In 1929, 50-60 per cent. of all incomes over £2,000 was derived from property. Property is at once the badge and springboard of riches.

And this despite a generation of rising taxation and death duties steepening to 50 per cent. True, inequality has undoubtedly been lessened: in 1911-13 five per cent. of persons over 25 owned 85 per cent., not 75-80 as now, and one per cent. owned 70 per cent., not 55. But the degree of inequality which persists in possessions and income is still undemocratic and wasteful.

This is no place to point the way to change this state of affairs. Mr. Campion himself is content to show the vastly interesting facts here displayed. But at least it is possible to say this. In the future, as in the past, it will be the tax-gatherer who will be most capable of helping the social service administrator to bring the community nearer to greater equality. It will be to death duties that his closest attention will probably be paid, for there he will cut at the root of inequality, the inheritance of great possessions.

The Estimates

WITH the publication this week of the Estimates for all the Supply Services, the greater part of the expenditure side of the forthcoming Budget can be filled in. The totals of the Estimates are shown in the following table:—

	(£'000 omitted)			
	Before deduction of sums to be borrowed	Comparison with last year	After deduction of sums to be borrowed	Comparison with last year
Navy	149,399	+ 25,692	69,399	- 24,308
Army	148,155	+ 41,655	81,923	- 3,434
Royal Ordnance Factories.....	16,932	+ 16,248	1,164	+ 480
Air Force	208,561	+ 82,160	66,561	+ 6,940
A.R.P. and Essential Commodity Reserves	57,000*	+ 39,217	8,691	- 11,082
Total Defence.....	580,047	+ 204,972	227,738	- 45,294
Other Supply Services†	446,261	+ 8,427	446,261	+ 8,427
Total.....	1,026,308	+ 213,399	673,999	- 36,867

* Figure given in Defence White Paper. † Excluding self-balancing expenditure.

The actual estimated expenditure for defence is £204,972,000 higher than in the current year. But after the deduction of increased borrowings the amount to be charged to revenue is £45,294,000 lower. The total amount of borrowing apparently envisaged is £352,309,000, though this

may be affected by the fact that the only figure yet published for total expenditure on civil defence is the round sum of £57 millions mentioned in the White Paper, which may not be precise. Of the total borrowing, £142 millions is allocated to the Air Force, £82 millions to the Army and Ordnance Factories, £80 millions to the Navy and the balance of approximately £48 millions to civil defence.

Some details of the Estimates follow:—

Most of the items of the *Civil Estimates* show a slight increase. The increase of £11,259,000 in the total of this category (excluding the two civil defence items) is not, however, an accurate reflection of the burden on the revenue, since nearly £3 millions of the increase is accounted for by the Post Office, whose expenditure is, of course, met out of its own revenues. Moreover, some of the items show declines. The biggest is a fall of £4.8 millions in the estimated cost of Labour and Unemployment. This is due partly to an estimate of lower unemployment (the estimate for the Unemployment Assistance Board is £415,000 less) but mainly to a reduction of £3½ millions in the payment to the Special Areas Fund. The Foreign and Imperial category shows a rise of over £3 millions, due in the main to increased payments for Indian defence. A rise of £1½ millions in Education, at one end of the age-scale, is matched by an increase of nearly £4 millions in Old Age and other Pensions (though War Pensions are £1 million lower). Agriculture shows another rise of £1½ millions, even before

CIVIL AND REVENUE ESTIMATES

	1937-38	1938-39	1939-40
1. Central Government and Finance	£'000 2,653	£'000 2,571	£'000 2,685
2. Foreign and Imperial	9,275	12,215	15,387
3. Home Department, Law and Justice.....	18,865	19,053	19,103
4. Education.....	63,327	65,546	67,107
5. Ministry of Health, etc.	26,637	26,991	27,812
Old Age, etc., Pensions.....	61,511	64,917	68,667
Labour and Unemployment.....	82,700	80,643	75,840
6. Board of Trade, etc.	3,745	3,932	3,790
Agriculture	13,649	15,076	16,512
Transport, Roads, etc.	15,773	22,384	24,343
7. Works, Stationery, etc.	10,414	12,873	14,111
8. War Pensions	43,933	43,100	42,096
9. Contributions to Local Revenues	54,392	54,248	54,170
Total	406,877	423,549	431,625
A.R.P. Services.....	5,178	9,283	5,191*
Essential Commodities Reserves Fund	...	8,500	...
Total Civil Estimates	412,055	441,332	440,316
Revenue Departments	13,896	14,285	14,636
Post Office	73,228	76,802	79,634
Total	499,180	532,418	534,596

* Excluding sums to be issued from the Consolidated Fund in accordance with the Defence Loans Acts.

AIR ESTIMATES

	1934	1935	1936	1937	1938 (Estimate)	1939 (Estimate)
Number of effectives.....	28,780	35,942	48,583	60,370	96,000†	118,000†
Pay, etc., of the Royal Air Force	£'000 4,227	£'000 5,025	£'000 6,274	£'000 8,191	£'000 11,067	£'000 14,670
Quartering, stores, supplies and transportation	1,456	2,537	3,328	4,793	7,490	10,912
Technical and warlike stores.....	7,190	11,640	25,342	31,434	39,492	16,870
Works, buildings and lands	1,820	4,864	10,560	4,679	5,800	4,250
Medical services	295	335	391	(18,679)*	(24,040)*	(48,250)*
Technical training and educational services	380	488	687	805	1,170	1,518
Auxiliary and reserve forces	406	473	549	896	2,092	4,789
Civil aviation.....	509	419	602	1,693	2,926	4,787
Meteorological and miscellaneous services.....	328	523	821	1,124	2,753	5,355
Air Ministry.....	691	834	1,024	1,273	1,611	2,130
Half-pay, pensions, etc.	368	375	416	450	524	587
Net expenditure	17,671	27,515	49,996	55,799	73,501	66,561
				(81,799)*	(126,401)*	(208,561)*

* Including sums to be issued from the Consolidated Fund in accordance with the Defence Loans Acts.
† Maximum number to be borne.

NAVY ESTIMATES

	1934	1935	1936	1937	1938 (Estimate)	1939 (Estimate)
Average number of effectives.....	13,351	94,259	99,886	107,040	146,500†	133,000†
Wages, etc., of officers and men.....	£'000 12,689	£'000 13,140	£'000 13,693	£'000 13,970	£'000 16,117	£'000 17,540
Victualling and clothing	3,147	3,435	3,575	4,310	4,421	5,323
Medical establishments, etc.	366	406	400	447	441	598
Fleet Air Arm	1,338	1,993	3,572	4,200	5,718	...
Educational and scientific services	650	665	702	751	880	1,006
Royal Naval Reserves	342	334	330	352	356	473
Shipbuilding, repairs, maintenance, etc.....	20,929	25,784	35,179	32,366	42,202	23,839
Naval armaments	4,034	5,658	8,629	(49,766)*	(64,202)*	(82,839)*
Works, buildings and miscellaneous	2,622	2,839	3,939	7,564	10,487	3,054
Admiralty Office	1,106	1,155	1,307	(11,514)*	(15,487)*	(17,054)*
Non-effective services, civil superannuation, etc.	9,393	9,479	9,641	2,663	3,997	5,782
				(5,313)*	(6,997)*	(12,782)*
Total expenditure.....	56,616	64,888	80,976	77,892	96,118	69,399
				(101,892)*	(126,118)*	(149,399)*

* Including sums to be issued from the Consolidated Fund in accordance with the Defence Loans Acts. † Maximum strength.

ARMY ESTIMATES

	1934	1935	1936	1937	1938 (Estimate)	1939 (Estimate)
Number of effectives	149,500	152,200	158,400	168,900	170,000	185,700
Pay, etc., of the Army	£'000 9,514	£'000 9,440	£'000 8,887	£'000 9,122	£'000 10,819	£'000 11,943
Territorial Army and Reserve Forces	4,777	5,055	5,979	8,044	9,775	14,022
Medical Services	910	1,010	1,106	1,075	1,105	1,458
Educational Establishments	866	910	944	1,033	1,327	1,542
Quartering and Movements	1,269	1,650	2,358	2,016	2,446	3,107
Supplies, Road Transport and Remounts	3,851	4,450	4,794	6,209	8,677	9,521
Clothing and Stores	5,153	8,060	14,752	21,008	33,335	22,200
Works, Buildings, Lands and Miscellaneous Effective Services	4,292	4,802	5,991	(25,900)*	(47,335)*	(70,200)*
War Office.....	816	852	938	4,630	8,137	7,972
Half-Pay, Retired Pay, Pensions, etc.	8,242	9,368	8,446	(9,078)*	(15,280)*	(26,204)*
				1,079	1,195	1,292
Net Expenditure.....	39,692	44,654	55,015†	63,569†	85,357	81,923
				(73,509)*	(106,500)*	(148,155)*

* Including sums to be issued from the Consolidated Fund in accordance with the Defence Loans Acts. † Including minor adjustments.

the cost of any schemes that Sir Reginald Dorman-Smith may produce. An extra £2 millions is allowed for roads.

The Navy Estimates show increases in almost every item. The charge for the Fleet Air Arm, which was £5,718,000 last year, now disappears and the cost of this service is presumably spread among the other votes. The biggest increases, however, are naturally in the votes for Shipbuilding, Naval Armaments, etc. Vote 8 (which covers Shipbuilding) is up by £18,637,000. This is due to the fact that a new large programme of construction is to be started in 1939, while the last three programmes are still in course, and there will necessarily be a further increase next year for the same reason. The 1939 programme of construction is compared with previous years in the following table:—

	1937	1938	1939
Capital ships ...	3	2	2
Aircraft carriers ...	2	1	1
Cruisers ...	7	7	4
Destroyers ...	16	—	16
Submarines ...	7	3	4
Escort vessels ...	3	—	22

The Army Estimates tell the same story of general expansion. The establishment of the Army is raised from 170,000 to 185,700, but this is mainly due to the return of a number of units from India. The actual strength on March 31st is expected to be about 17,000 below establishment, as compared with a deficiency of 25,000 a year ago, and the figure is expected to be further reduced in the coming year. It has, in fact, been an excellent year for recruiting, the totals being as follows:—

	1937	1938
Regular Army ...	26,094	38,827
Supplementary Reserve	6,672	13,647
Territorial Army ...	45,320	77,142

The September crisis appears to have had a peculiar effect. Recruiting for the Reserve and the Territorials jumped up, but for the Regular Army the last quarter was the worst of the year. Study of the tables also suggests that the increased intake into the Regular Army has been accompanied by a fall in the average educational standard of recruits. Actually, fewer recruits of the highest standard were accepted in 1938 than in 1937, and more than twice as many of the lowest. Both the figures of the Estimates and the statements in the accompanying Memorandum indicate that mechanisation is proceeding rapidly, though not perhaps as rapidly as might have been hoped.

The Air Estimates are, perhaps necessarily, the least in-

formative of the three. For almost half the total sum (£93,640,000 out of £208,561,000) the only information given is that it is for "Aircraft and Balloons." But an idea of the rapid expansion of the service can be gained from the fact that the total expenditure will be two-thirds larger in 1939 than in 1938 and that the increase between the two years is five times as large as the total expenditure in 1933.

From the figures now published, the total expenditure can be estimated. A note is appended to the Civil Estimates stating that provision for Supplementary Estimates will have to be made in the Budget, as has been done in each of the last few years. No sum is mentioned, but a tentative figure of £10 millions, the same as last year, may be allowed. The Consolidated Fund Services may be put at the same figure as last year. The service of the National Debt is the most important of these items. The gross debt is higher than twelve months ago, but the full allocation is not being spent this year and service charges on the defence borrowing are included in the Defence Estimates. It is possible that the provision for the debt charge, which was increased by £6 millions last year, might be reduced again, but the balance of probability is against it. On these assumptions, the gross and net totals of expenditure will be as follows:—

	(£ million)	Gross	Net
Defence (including civil defence)		580.0	227.7
Civil and Revenue Departments (excluding self-balancing expenditure)		456.3	456.3
Consolidated Fund Services		242.1	242.1
		1,278.4	926.1

The sum that the Chancellor of the Exchequer will have to find from revenue will therefore be £926 millions. In *The Economist* of February 18th it was estimated that the revenue of the existing taxes in 1939-40 "could hardly be more than £920 millions." The interest of the Budget will be confined to the comparatively narrow issue of whether the Chancellor has contrived to bring revenue and expenditure exactly together (by reducing the debt charge or the provision for Supplementaries or by putting generous estimates on the prospective yield of taxes) or whether minor changes in taxation will be necessary. Of the two possibilities, the former seems much the more likely.

Topics of the Week

Pius XII.—His Eminence Cardinal Eugenio Pacelli, until Thursday Secretary of State to the Holy See, has been elected Pope by a Conclave of the whole College of Cardinals. He has taken the name of Pius XII. The Roman Church, at a most crucial time in its history, thus comes under the leadership of a man who is comparatively young (he is 63 this year), of great intellectual power and personal charm, intimately versed in diplomatic and administrative procedure, behind him a distinguished executive career. It would be rash to label Pius XII as a political Pope: but it is clear that the late Pope's closest coadjutor, the man who, above all, negotiated the Concordat with Germany which is now the cause of so much pain and strife, will scarcely depart from the clear stand which Pius XI, in his last years, took towards the doctrines of racial persecution and totalitarianism. In Italy Cardinal Pacelli's election will be regarded with mixed feelings: yet he is a Roman by birth. The Nazis, too, will not be best pleased, and Herr Hitler, at least, may have cause to regret that he does not possess the right of veto which the Emperor Francis Joseph saw fit to apply to Cardinal Rampolla in 1904. The new Pope was born in 1876 and became a priest in 1899. Until 1913, when he took up administrative work, he held various teaching posts. In the years that followed he was increasingly active in the sphere of Vatican diplomacy, serving as Nuncio in several

important places, and eventually became Papal Secretary of State in 1930. Since then he has progressively increased his reputation as a man of high-mindedness and determination. Those who wished for a strong man in St. Peter's seat seem to have had their wish rewarded.

Civilian Defence.—Air-raid precautions are at last in full swing. No Minister since A.R.P. became a duty of Government has been able to face the Commons with so clear a conscience as did Sir John Anderson on Wednesday. He spoke longer than most Chancellors do on Budget Day and the time he took was indicative of the considerable progress he had to report, a progress thrown into relief by the abysmal failure of his predecessors. Already the steel shelters, which are now generally accepted to afford substantial protection against blast, splinters and debris in bomb attacks, are being distributed to the poorer householders. Lord Portal has consented to act as chairman of the public corporation which is to set up fifty small trial camps to supplement billeting in private houses in case of wartime evacuation. The survey of accommodation in proposed billeting areas is now completed. Plans for co-ordinating inland transport in time of war, and for the diversion of seaborne traffic to Western ports, are receiving the closest attention; and considerable headway in the

preparation of a detailed programme for food storage and the allocation of tonnage for food imports is being made by the Food Defence Plans Department and the Board of Trade. Reserves of electrical equipment have been ordered. New types of organisation are being evolved to cater for wartime needs, including not only the proposed Regional Commissioners (whose names, for some odd reason, are to be kept strictly secret) and the regional articulation of A.R.P. supervision, but also such special modes of voluntary organisation as the collection of the scattered road transport industry into a single framework. Protection, dispersion, distribution and organisation have been strikingly advanced in Sir John's short four months of office.

Outstanding Tasks.—It was Sir John himself who said he was not yet satisfied with the progress made in civil defence, despite his belief that it would be possible to finish in 1939 all that was originally contemplated for completion in 1941. There is no case at all for complacency and every reason for the fullest public pressure to bring A.R.P. and allied plans to the highest possible pitch of efficiency. One abiding mark of Government policy is still evident. Ever since civilian defence became a prime obligation the Cabinet has been strangely reluctant to concede the need for measures which, though strongly urged from all sides, were not included in their own programme. In every case, after a period of intransigence and hesitation, they have partially given way; but never—at least in the field of civil protection—have they prevented public pressure by taking the initiative themselves. Trenches followed laggardly on the heels of gas-masks. Evacuation was only slowly admitted to be needed. Splinter- and blast-proof shelters and basement strengthening came belatedly. And the Government are now boggling uneasily at the demand for deep bomb-proof shelters, at least in specially crowded and vulnerable areas, and for a more ambitious project of evacuation camps. Sir John's arguments against deep shelters, which turned this time on the danger of concussion and "massacre" rather than on the possibility of panic, have not convinced even himself. It may be that no shelter can be truly bomb-proof. It is almost certain that Sir John and his experts—and the Treasury—will give way on this point, and meet the nation-wide call for deep refuges and for communal shelters where houses are indefensible. In the field of recruitment, too, there is still a good deal to be done. Failure is a relative term, and the enrolment of a quarter of a million recruits as a result of the National Service campaign is not negligible. But it is still inadequate to set behind the first line of civil defenders a strong force of reserves; and there are important areas, like Lancashire in general and Manchester in particular, where serious shortages of personnel persist. The gravest deficiency is of training accommodation and equipment. It is probably because of this lack that the recruitment campaign has not been pressed forward with greater zest by the authorities. Sir John Anderson has laid the foundations of adequate civil defence with speed and decision, but his fame will ultimately rest upon the strength and style of the superstructure he adds.

Crisis in the Palestine Talks.—As this week drew on, the talks at St. James's Palace were faced with a clear alternative between a Round Table Conference and utter deadlock, with probability weighing more and more heavily on the second. The sharpening of issues came rapidly over the week-end. Last week's meeting of delegates from the Jewish Agency with those from three Arab States had seemed hopeful, and was welcomed as a means of prolonging talks which threatened to remain sterile of result. By that time it was clear that once the British Government were seized of both points of view (and both were stated, during the first three weeks, in great detail), there was nothing left but to negotiate. Since neither side would move from its position, Mr MacDonald was obliged to set them going, and, once on the move, the situation changed at breakneck speed. On Monday both delegations were presented with tenta-

tive British proposals which, in general, suggested an independent Palestine allied to Britain on an analogy with Iraq, Arabs and Jews sharing administration during the transition period through a local legislature which, later, would attain full responsibility. The Jews took this as a threat of "permanent minority status"; report of the proposals went abroad, and even while their delegates in London were protesting and booking passages home, there were terrorist outbreaks at Haifa and Jerusalem which caused the deaths of twenty-eight Arabs. Later in the week Dr Weizmann had an interview with Mr Chamberlain, the result of which is not yet available. Meanwhile the Palestine Arabs had, in their turn, offered a number of objections to the British proposals; but these, it may be suspected, were inspired by tactical considerations. If, indeed, the proposals as we know them are a true outline of the imposed solution which the Government is understood to have in mind against a breakdown in the talks, then it is the Jews who have just reason to protest. Short of an official statement, not yet forthcoming, speculation is dangerous. It is repeatedly emphasised that the proposals are tentative and "still fluid." But in any solution, if the Government are to avoid the charge of dishonouring the Balfour Declaration even at its minimum meaning, there are a number of qualifications or guarantees which they must declare and enforce, if necessary, with their own arms. It is precisely the extent of those guarantees within the present proposals which is not known. Yet, if the Government's initiative in promoting negotiation does not kill the Conferences, it may actually revive them. The chances will not have escaped Mr MacDonald's attention.

Poland, Germany and Italy.—The smooth enamel surface that has been plastered over the face of Polish-German relations, by the art and effort of Herr Hitler and Colonel Beck, was nastily cracked last week-end. The trouble began on February 24th in "the Free City" of Danzig, when the Nazi students in the local polytechnic set upon their Polish fellow-students and sought to herd them into the "ghetto seats" in the lecture-rooms that are nowadays marked off for the Jews. The news of this trivial but provocative piece of Nazi aggression at Danzig had immediate and most violent repercussions in Poland. Not only in Warsaw but in the other principal Polish cities—Cracow, Vilna, Lwów—the Polish students came out into the streets. In the capital they stoned the German Embassy and serenaded their own Foreign Office with shouts of "Down with Hitler" and "Long live France." At Vilna they are reported to have shouted "Down with Beck" as well. Notwithstanding this last slogan, it seems unlikely that, in a semi-police state, such as Poland is to-day, demonstrations of this scale and vigour could have been carried on for hours on end without at least the passive acquiescence of at least some branches of the Administration.



EQUITY & LAW LIFE ASSURANCE SOCIETY

All Classes of Life Assurance transacted

- Death Duty Policies at low rates
- Endowment Assurance with Profits
- Family Provision Scheme

For full particulars apply to the Manager:

20 Lincoln's Inn Fields, London, W.C.2
Established 1844 Funds exceed £29,000,000

The demonstrations recurred on Monday, and on the same day the Polish Government told the Danzig Senate that Poland is prepared to take "such action as may be deemed necessary" for the protection of Polish citizens at Danzig if the Danzig authorities fail to restore order. This threat is interpreted as portending reprisals against university students belonging to the German minority in Poland.

* * *

At Warsaw, additional piquancy was given to the disturbances on Sunday by their coincidence with the arrival of Count Ciano on an official visit. Roving bands of anti-German student demonstrators were one of the first sights that met the Italian Foreign Minister's eyes; and the demonstrators seized their opportunity to chip the Rome-Berlin Axis by interspersing cheers for Italy among their hisses for Germany. The tenor of Count Ciano's conversations with Polish statesmen has not been officially divulged, but he seems to have had two objectives which cannot be easy to reconcile. On the one hand, he would have liked an assurance of Polish neutrality (*pace* the Franco-Polish Treaty of Alliance) in the event of Italy attacking France. At the same time he would have liked Poland and Italy to "get together" for the furtherance of their common interests in the Danube Basin—which means, in plain terms, the construction of an Italo-Hungaro-Polish barrier for checking Germany's *Drang nach Osten*. This latter object, no doubt, is one for which Warsaw might be inclined to co-operate with Rome; but Colonel Beck seems to have hinted to Count Ciano that this policy could not well be combined with an Italian attack on France in which Italy would be bound to beg for German support—on German terms which would assuredly include a free hand for Germany in the East. There has also been a hint of colonies for Poland in the eventual re-distribution of Africa; but Colonel Beck may well have asked whether Italy could fulfil that promise any better than her undertaking to secure a common frontier between Poland and Hungary in Ruthenia. The general upshot of the conversations appears to have been negative. Poland would promise nothing, not even neutrality. The fact is that Polish policy, in its periodic oscillations, appears to be entering a pro-French phase. And even if this were not so, the Poles are the last people in Europe to relish an invitation to play third fiddle.

* * *

Japan and Shanghai.—In Eastern Asia the focus of tension has shifted for the moment from the guerilla fighting in the open country to the confines of the International Settlement and the French Concession at Shanghai. This great Chinese city, of which the core is under foreign administration, is the heart of the Yangtse Basin. All important affairs in this vast region must be transacted in large part within the bounds of the two Shanghai settlements; and, in particular, whatever government is momentarily in control of the Yangtse Basin must be conducted from Shanghai to a large extent—at any rate, on the financial, economic and commercial side. Today the Japanese are in military occupation of the provincial cities and thoroughfares in Shanghai's immense hinterland, as well as of the greater part of the city itself; they are attempting to manage this occupied territory through the agency of a puppet Chinese Government which they have set up at Nanking; and this move on the part of the Japanese militarists is being countered on the Chinese side by a terrorism which is directed against Japan's Chinese puppets even more actively than against the Japanese themselves. Inside, as well as outside, the two settlements at Shanghai the Chinese terrorists have lately been striking down a number of the victims whom they have marked out for assassination; and though the International and the French municipal authorities have been making strenuous efforts to round up the criminals and to re-establish public security, they are confronted with an enormously difficult problem in a dense urban area containing a huge Chinese population that has latterly been swollen by the influx of unhappy and resentful

refugees from areas which the Japanese have devastated. The *bona fides* of the two municipal administrations are beyond doubt, for they have two powerful motives for wishing to put this terrorism down. In the first place, it is as an oasis of law and order in a wilderness of anarchy that the two foreign settlements at Shanghai have won their extraordinary position in China, and they are bound to make every effort to preserve an asset on which their unique prosperity depends. In the second place, they must be anxious to avoid giving the Japanese any excuse for further encroachments upon their jealously guarded autonomy. On February 22nd, Japanese demands for presentation to the Municipal Council of the International Settlement were telegraphed from Tokyo to the Japanese Consul-General at Shanghai. These Japanese terms, which have not been made public, are believed to have been rejected by the Council; and the next move has been the unofficial declaration, by the puppet Government at Nanking, of a "silent war"—whatever this ominous-sounding phrase may mean—against the two Shanghai settlements and against French and British shipping in the Yangtse into the bargain. At Tientsin, simultaneously, the Japanese have run live-wire fences round the French and British concessions in that North Chinese treaty port. In both places the situation is critical; but it is not yet certain that the Japanese mean to push their offensive to extremes.

* * *

Peace and War in American Politics.—The debate on foreign affairs still holds the stage of American politics. It is now abundantly clear that Mr Roosevelt's secretive tactics were a mistake and that his policy was endangered by the indignation aroused by his methods. But the public is now beginning to distinguish between the policy itself and the air of mystery surrounding it, and it is a very welcome sign that several Republican Congressmen are expressing views very similar to those held by the President. The isolationists in Congress are busy reviving all their previous projects—the Constitutional Amendment to make a referendum necessary before war can be declared, the Bill to prohibit all exports of materials to belligerents, and so forth. But their offensive begins to look more and more like a rearguard action. Underneath all the confusing talk, American sentiment is changing. With so many minds concentrated on the possibility of war abroad, the Administration is making what looks like a genuine attempt to secure peace at home. Within the last week or two, business men have listened to a positive chorus of benediction from the New Dealers. Mr Roosevelt himself has publicly buried the utility hatchet. Mr Morgenthau has promised that there will be no new objectionable taxes. The most remarkable statements, however, have been those of Mr Harry Hopkins, the new Secretary of Commerce, who has always been considered one of the more extreme—and has certainly been, to business men, one of the most distrusted—of the New Dealers. In a speech at Des Moines, he came close to an admission that the Administration had been wrong in mixing so much reform with its recovery and promised better behaviour for the future. The cynics have, of course, been quick to suspect that Mr Hopkins is more concerned with votes at next year's Presidential election than with the eternal verities. But even if the suspicions are correct (as they probably are) it is significant that this line of advocacy should be chosen as likely to prove popular. The United States has been done infinite harm by the bitter and futile bickering between the New Dealers and business—a quarrel in which blame rests about equally on both sides—and if a *rapprochement* is now possible it would be foolish to question its motives.

* * *

M. Spaak's Successor Falls.—M. Pierlot, who succeeded M. Spaak as Prime Minister of Belgium at an interval of nearly two weeks, stayed in office for five days, just long enough for his Minister of Finance to state a policy of deflation, whereon Socialist opposition forced the

Government to resign. M. Gutt's statement on the financial position was dry and to the point: the ordinary Budget for 1938, he pointed out, carried a deficit of 1,085 million francs, and that for 1939, despite increased taxation, a deficit of 353 millions. The Treasury was in possession of 500 millions, and when allowance had been made for the extraordinary Budget and for additional air defence estimates, another 2,500 millions must be found. M. Gutt recommended a policy of prudence, and announced that a programme of economies would at once be worked out that would absorb the 1939 deficit. During his speech he referred to a number of economies which he had in mind; and when the Chamber of Deputies heard him announce the reduction of civil servants' salaries the sitting had to be adjourned to avoid the Government's defeat. When the Chamber met again, on Tuesday of this week, M. Pierlot declared the Government's resignation; and the next day, with the Liberals still refusing to co-operate until Dr Maertens had resigned from the Flemish Academy, the King was left with only the Socialists from whom to choose a Prime Minister. M. Soudan, Socialist Minister of Foreign Affairs in the Pierlot Government, undertook the task after forty-eight hours of pondering on the chances, and, if successful, will inherit a host of political and financial problems. He will have to take decisions on the vexed issue of Flemish nationalism and accord a precise measure of cultural autonomy where his predecessors have only made vague offers; not much less controversial, he and his Minister of Finance will have to make some attempt at balancing the Budget without offending Socialist principles or, on the other hand, the determined section of Belgian opinion which favours orthodox deflation. And, later in the year, he will probably have to decide whether or not to devalue the belga. Faced with these sore problems, he will at least be fortified by the knowledge that many, who would have opposed him to the end, will now think twice before doing so lest they destroy Belgian democracy. He, that is, or his successor.

* * *

Hungary Strikes at Extremism.—On the same day as the Hungarian signature was affixed to the Anti-Comintern Pact the police in Budapest rounded up a large number of members of Right extremist organisations, and the activities of the latter are for the future proscribed. Although an immediate result of the martial law which was proclaimed recently, after the blowing-up of a Budapest synagogue, the roots of this sudden proscription clearly go deep into Hungarian politics. The semi-official view points to the coincidence in date to draw the conclusion that, if Hungary's foreign policy is no longer independent of Herr Hitler's, her domestic policy remains so. This chimes in very well with the opinion that M. Imrédy nourished dictatorial and pro-German ambitions; and that these, rather than his firmness in pushing through the land reform and the anti-Jewish laws, were the occasions of his fall. Even though the validity of this argument may well be suspected, there is no substantial reason why the Nazis in Germany should want to control Hungary's domestic affairs once her foreign policy becomes "realistic"; and although it is generally supposed that the Hungarian Nazis draw their finance and fancies from party sources in Germany, it is conceivable that Germany's rulers have seen the wisdom (helped by the astonishing stupidity of the Hungarian extremists) of allowing Hungary's rulers the dignity and prestige of being masters in their own house, even if they have to be servants outside it. The truth probably lies in the middle of a number of motives: that Count Teleki's Government, having inherited from M. Imrédy's a good deal of German approval, decided to deal with their waspish enemies on the extreme Right and hang the consequences of party displeasure in Germany. Perhaps they will leave the League, just to make up for it. The other two controversies raging in Hungarian political discussion are those of land reform and the anti-Jewish laws. Both programmes will be carried through much as M. Imrédy intended, only the anti-Jewish laws are now in process of amelioratory amendment. Count Teleki's next task is to persuade the landowners

of the Upper House (of which he, unlike M. Imrédy, is a member) that they must do more than merely debate the pros and cons of land reform. This will be far from easy; but given the comparative modesty of the measures proposed, the urgent demands of peasants who compare their feudal lot with that of their new countrymen lately in Slovakia, and Count Teleki's acknowledged tact and intelligence, it should be possible to do this without further political upheaval.

* * *

Trouble with the Marketing Boards.—The producer-retailers have never been very happy under the authority of the Milk Marketing Board. They were necessarily included in the Milk Marketing Scheme, but they have no direct representation on the Board, whose main function with regard to the producer-retailers has been to collect levies. These payments are regarded by the Board as the producer-retailers' thank-offering for the present security of the liquid milk market, but now that six years have elapsed since this security was first achieved, the producer-retailers have begun to take it for granted and to question the desirability of paying sums ranging from 1½d. to 2½d. on every gallon sold to a Board over whose actions they have no control, but which prescribes the keeping of complicated records. The National Federation of Milk Producer-Retailers, one of whose members was this week fined £5 by the Board for failing to fill up the required forms, has now decided to defy the Board and has advised its members to pay no levies, to fill up no forms and, if necessary, to sell milk at 1d. per quart below the prescribed price until the Milk Marketing Board revokes its fine and amends its ways. Meanwhile, a bacon curer has been fined £15 by the Bacon Marketing Board because, having been supplied by the Board with the wrong type of pig, he bought pigs in the open market to supplement the deficiency. The Northern Ireland Pigs Marketing Scheme is also in difficulties; the Board was suspended last week while financial irregularities are being investigated and a new Board has been appointed by the Government to hold the fort.

* * *

Shop Hours.—A private Bill to limit shop assistants' work to 48 hours was rejected by the Commons a week ago, but discussion of the measure gained significance from the report of the retail distributive trades' conference on wages, hours and conditions of labour which had been published a few days before, calling for statutory intervention. The chief difficulty of Parliamentary or Ministerial action was amply shown in Members' speeches: one-eighth of the country's two million shop assistants work a 40-hour week; a quarter have collective bargains and voluntary arrangements restricting their week to 48 hours; as many as five-eighths, in small shops and one-man businesses, work 60 hours or more. The spread is too great to be removed by the enactment of strictly uniform standards. Nevertheless, present conditions in many shops are far below the standards that are expected in trade and industry nowadays, and the debate revealed all political parties agreed upon the need to curtail the hours worked by some 1,250,000 of the less fortunate shop employees. The hours of assistants aged between 16 and 18 are already regulated, even in small shops, and there can be no doubt that the industry's own plan to draw up rules for retail trade, section by section, and to enforce those rules by Ministerial Order, is capable of effecting appreciable improvements without cutting too sharply at the economic basis of shopkeeping.

BRITANNIC ASSURANCE COMPANY LIMITED

(Established 1866)

Annual Income	£6,700,000
Assets	£31,000,000
All classes of Life, Fire, Accident, Motor and General Insurances transacted	

Chief Office: BROAD ST. CORNER, BIRMINGHAM, 1

Retail trade, as at present organised, is strikingly wasteful and inefficient. The widely varying and generally depressed conditions of work simply reflect its inefficiency.

* * *

Wages and Illness.—The files of the Law Reports include many more cases of importance to great numbers of people than actually win headlines in the Press. A judgment given in the Court of Appeal last Monday provides an interesting example. The plaintiff, employed as a salesman on a weekly engagement at £3 10s. a week, fell ill on December 4, 1937, and went to hospital. On his return to work on March 26, 1938, he was given one week's notice, and thereupon claimed arrears of wages for the sixteen weeks of his absence, during which time his contract had not been terminated. In the County Court the judge found for the employers on the ground that, during his illness, the plaintiff had drawn 18s. a week in National Health Insurance benefit. It was the judge's view that it would be inequitable to expect employers to pay both contributions to National Health Insurance and wages during illness; he cited the parallel case of employees in receipt of workmen's compensation, where it had been established that no liability to pay full wages existed. On Monday the County Court judgment was reversed. In the case at issue, it was held, the contract of service and the obligation to pay wages lasted until notice to terminate the contract had been given. The instance of workmen's compensation was judged not relevant. The Workmen's Compensation Acts were explicitly designed to compensate workmen in part for the loss of their wages through disablement. The National Health Insurance Acts, on the other hand, were designed to furnish sick workmen with *additional* medical and other benefits "in their nature irrespective of the amount of wages as determined by the workman's individual contract of service." The employer was sufficiently protected by his power to terminate the contract. The plaintiff won his claim for £56, and a common-sense distinction of first-rate importance to workpeople was thus established.

* * *

B.B.C. Finance.—By its new charter granted in 1937, the British Broadcasting Corporation was allotted 75 per cent. of net licence receipts, but provision was made for an increase if it could be shown that its income was insufficient for the adequate conduct of its services. During 1937 it became clear that, if the present standard of sound broadcasting was to be maintained, little would remain over for television or foreign language broadcasts. Parliament, therefore, granted the B.B.C. an additional 8 per cent. of the net receipts for these purposes for the fiscal year 1937-38, and later an additional 15 per cent. for the fiscal year 1938-39. The following table shows the effect of these changes on the distribution of licence revenue :—

	LICENCE REVENUE (£'000)		
	1936	1937	1938
Gross receipts	3,955	4,216	4,428
To Post Office*	396	379	399
Net receipts	3,559	3,837	4,029
B.B.C. share†	2,510	3,078	3,534
Treasury share	1,049	759	495

* 10 per cent. of gross receipts for cost of collection in 1936; 9 per cent. in 1937 and 1938.

† An agreed sum in 1936; in 1937 and 1938 75 per cent. of net receipts plus allocations of £203,000 in 1937 and £510,000 in 1938 for television and foreign language broadcasts. These figures include income tax.

After deducting investment income, the B.B.C. share of gross licence revenue has risen from 60 per cent. in 1936 to 75 per cent. in 1938. Today, of the 10s. which the listener pays over the Post Office counter, 10½d. is deducted to cover the cost of collection, 11d. is paid directly to the Treasury and a further 5½d. indirectly in income tax. This leaves the B.B.C. with 7s. 9d., of which 4s. 1d., or more than half, is spent on programmes. Expenditure from revenue rose again last year to £3,534,795, compared with £3,205,779 in 1937, and £2,579,597 in 1936. The increase last year was mainly

due to the rapid extension of television broadcasts—the average time per week devoted to these programmes rose by a third—and to the new Arabic, Latin American and continental services. The amounts of licence revenue available for the home and Empire services rose by approximately £365,000 between 1936 and 1937, and by £149,000 between 1937 and 1938. The reduction of the Treasury's toll on listeners' payments by half a million pounds since 1936 has saved the B.B.C. from the necessity of economising on ordinary sound broadcasts. But clearly, if the requirements of television and foreign broadcasts continue to expand, the B.B.C. may need the remaining half a million which the Treasury still receives.

* * *

The Indian Budget.—In more than one respect Sir James Grigg's last Budget offers a contrast with the British Budget for 1939-40 as we may confidently predict it. In the first place, the Indian Budget is balanced without borrowing. In the second place, it is balanced by means of an important increase of taxation. And in the third place, it is balanced only because the cost of defence services, so far from rising, is expected to fall below the revised estimate for 1938-39. This economy is rendered possible by an increased contribution from United Kingdom funds to help meet the improved rates of pay and conditions of service in the army, by the withdrawal of certain British units from India, and by other adjustments. The whole future of Indian military finance will turn on the report of the Chatfield Committee, which recently investigated India's defence problem. Sir James Grigg, who must have seen a draft of the report, expressed the hope that the British Government's decisions on it would make available to India further substantial sums in order to give her the modern defence forces required by recent developments in military science and dictated by the world situation. A further notable budgetary economy is the cut of Rs. 173 lakhs on the interest bill. Nevertheless, after recording a final deficit of Rs. 78 lakhs in 1937-38 and an estimated deficit of Rs. 265 lakhs in the current year, the Finance Member forecast a deficit of Rs. 50 lakhs in 1939-40 on the basis of existing taxation. After the doubling of the import duty on raw cotton, however, he estimated a small final surplus, with revenue at Rs. 8,270 lakhs and expenditure at Rs. 8,265 lakhs. The defence budget makes up over 54 per cent. of the expenditure. It is significant that the sharp increase of the import duty on the raw material of India's principal manufacturing industry, with the effect of protecting the primary producer, seems to have been well received in Indian political circles; for agrarianism is certainly waxing in India even if industrial protectionism is not waning.

* * *

Mr Bose and Mr Gandhi.—The dispute between Mr Gandhi and Mr Subhas Bose, the Left-Wing leader who was recently elected President of the Indian National Congress in defiance of the Mahatma and the old hierarchy of the party, is too much entangled with personal issues for it to be clearly analysed from a distance. Mr Bose's election, it appears, was a demonstration by the Congress rank and file less in favour of Left-Wing policies than against the domination of the "Old Guard," who are mostly of the Right Wing but who also include Pandit Jawaharlal Nehru, the chief hope of the Socialists in the Congress. Pandit Nehru and twelve of his colleagues of the former governing group have now resigned their membership of the Working Committee. Whether this move is anything more than a tactical attempt to place Mr Bose in a difficulty, and thus to subject him and his supporters once more to the influence of the circle about Mr Gandhi, can be seen only from future events. The Mahatma himself, turning his back on Congress domestic politics, has resumed his activity in connection with the Indian States. His latest move has been a journey to Rajkot, one of the chief centres of disturbance, to investigate conditions personally; as a preliminary to this, civil disobedience in the State was suspended. Meanwhile, the Viceroy has given some hint of a more positive development in the policy of the Paramount Power towards reform in the States.

Overseas Correspondence

From Our Special Correspondents

United States

No Signs of Recovery

NEW YORK, February 20.—The various weekly indices of business activity show that there was a small sag in January compared with December. This appears to have continued in early February. This falling off is usual at this time of year. Statistically it is partly attributable to the upward seasonal correction which is made for December (which on the record of recent years appears to be excessive); partly to a shrinkage in steel operations, which had been surprisingly high in December; and partly to a decline in motor production. In the early weeks of the motor year (roughly the fourth and last quarter of the calendar year) the stocking of dealers requires the industry to work virtually at capacity. Once the dealers are stocked, production schedules are adjusted more closely to actual consumer demand. The slackening in January gives no cause for alarm.

The continued sluggishness of commodity prices is rather more disconcerting. Prices of industrial primary materials rebounded smartly last mid-year, and since then have held up fairly well. Prices of agricultural primary materials, on the contrary, took little part in last summer's spurt, sagged throughout the autumn, and now stand at about the low levels of last spring. Except in building, no part of the price structure gives an appearance of robustness; nor, on the other hand, is it definitely weak. Like production, in fact, prices are, on the whole, non-committal, although the relative heaviness of commodity prices is rather disturbing to those who are inclined to believe that the underlying trend of production is upwards.

The share market was distinctly strong in December and weak in January, rallying uncertainly in February. The production index, the price index, and the share index, therefore, all look the same, in the sense that none discloses a pronounced current trend. The hesitant behaviour of the share market is in contrast to the vigorous strength of the gilt-edged bond market, which has now recovered the high levels of early 1937, and in some cases even surpassed them. In 1937 the bond market reached its peak in a period of strong commodity prices. This year it has recovered that high level in a period of heavy or static commodity prices. The reciprocal relationship often ascribed to bond yields and commodity prices is not very much in evidence.

The banking figures, again, are almost contradictory within themselves. At the end of January the demand deposits of the reporting member banks were \$16,152 millions—up \$1,569 millions, or almost 10 per cent., on the year and more than 10 per cent. above March 30, 1938. The production index for January will be about 20-25 per cent. above that for January, 1938. But the January debits to individual accounts last month (\$32,340 millions) were almost precisely equal to those of January, 1938 (\$32,084 millions).

DEBITS TO INDIVIDUAL ACCOUNTS (\$000,000)

March, 1938	32,109
April "	31,169
May "	28,841
June "	32,797
July "	30,506
August "	28,270
September "	29,525
October "	33,235
November "	29,406
December "	39,930

Indeed, these debits have shown no very distinct rise since last spring. In short, neither the rise in deposits nor the increase in production has yet found any distinct counterpart in the debit figures.

Action Against Recession

Four reasons were commonly accepted to account for the depression of 1937-38. The official explanation attributed it to the decline in Federal deficit spending. The banking com-

munity blamed the reduction of the excess reserves by increasing reserve requirements, and by the sterilisation of gold in the Inactive Fund. The business community blamed the undistributed profits tax, which became effective at the end of 1936. Economic publicists generally attributed it to overstocking. Every one of these causes has now been specifically remedied. Since March last the Federal Government has resumed deficit spending on a lavish scale. The excess reserves have been raised to new high levels by a reduction in required reserves, by the monetisation of the Inactive Fund and by subsequent enormous gold imports. The undistributed profits tax was virtually repealed last May. And, finally, the year-end reports showed a varying, but generally large, reduction in inventories compared with the end of 1937. If the several diagnoses of the causes for the collapse of 1937 and for the prostration of early 1938 are correct, the present period of hesitation will presently evolve into an extension of the recovery movement. For that reason, if the recovery movement should fail to develop, its absence would be more than disconcerting.

Conflicting Views

It will be noticed that the variety of the causes and the *ad hoc* remedies contain certain elements of conflict. For example, though the spending programme and the monetary programme are in complete harmony, the objection to the undistributed profits tax implies objection to the generally higher taxation involved in the spending programme. Again, the insistence on the reduction of stocks or inventories is to some degree in conflict with the credit expansion programme, since it implies a reduction in loans; and, while Washington was inclined to find in inflated inventories one cause of the collapse, Federal agencies, such as the Commodity Credit Corporation, continued to build up theirs. Finally, the banks, while they resented the reduction of excess reserves and applauded the restoration of the excess reserve position by the monetisation of inactive and incoming gold, are disquieted by the increase in debt resulting from the spending programme and by the low level of their own earnings, due to the low interest rates implied by excess reserves and the repayment of their customer inventory loans.

It is only fair to say that the four causes for the recession enumerated above are not a complete catalogue. For example, some people placed a great deal of emphasis on the high prices of primary commodities in the winter of 1936-37—a matter more or less corrected by subsequent declines. Others stressed the increase in labour costs resulting from high wages and short hours; others the burden of taxation, and so on. The four reasons actually enumerated won a sufficient following, either in official, financial or business circles, to secure recognition and the application of specific remedies. The many other explanations of the setback simply represent the opinions of minorities incapable of securing action.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

(Incorporated with Limited Liability under the Laws of the U.S.A.)

HEAD OFFICE:

PINE STREET CORNER OF NASSAU, NEW YORK

THE CHASE BANKING ORGANISATION HAS OFFICES IN:

PARIS, HAVANA, SAN JUAN-PORTO RICO, PANAMA, CRISTOBAL, COLON, HONGKONG, SHANGHAI AND TIENTSIN

AND SPECIAL REPRESENTATIVES IN:

BERLIN, ROME AND MEXICO CITY

CORRESPONDENTS THROUGHOUT THE WORLD

London Branches:

6 LOMBARD STREET, E.C.3

51 BERKELEY SQUARE, W.1

BUSH HOUSE, ALDWYCH, W.C.2

Also: The Chase National Executors & Trustees Corporation, Ltd., 6 Lombard Street, E.C.3

France

From Munich to Burgos

PARIS, March 2.—A formal vote of the Chamber in favour of the Government permitted the Cabinet to decide to give *de jure* recognition to General Franco. This recognition is a logical sequence to Munich, and as it happens it comes just when fierce debates are taking place at Lille, at the General Congress of the Trade Unions, where the moderates are protesting energetically against the "colonisation" of their organisations by the Communists, chief sponsors in the past of "Arms for Spain." In spite of the appeals of the moderates, politics have deeply penetrated into the trade unions, which have lost a great many of their members since the disastrous fiasco of the general strike, inspired by the Communists. At Lille, moderates and extremists were nearly balanced.

Meanwhile, social peace and relative calm in foreign affairs have given a better tone to the markets, while the present pressure upon the Dutch and Belgian currencies is to some extent favourable to the franc. Repatriated capital is still being invested in short and middle term bonds, which continued their rise during January and February. Renten, however, have lost a great part of the recovery registered in November and December, 1938, as the following table shows:—

	Dec. 1st	Jan. 3rd	Feb. 1st	Feb. 28th
3 per cent.	80.60	87.35	83.05	84
4 per cent. 1918	81	89.10	83.25	86
4½ per cent. 1932 "A" ..	85	91.85	86.40	90.10
Treasury Bonds—				
4½ per cent. 1933	1,001	1,019	1,038	1,060
4½ per cent. 1934 ...	1,004	1,023	1,032	1,051
5 per cent. Dec. 1937 ..	995	1,008	1,014.50	1,037.50

The yield of medium-term bonds, which has sometimes been 9 per cent. in the past, fell to 7½ per cent. last November. It is now no higher than 4-4½ per cent., the first fundamental sign of improvement in French public credit. Short-term bonds are always largely subscribed, and the Government is now in a position to delay its funding issue until May, after the Presidential election.

Many years have passed since a French Government could have looked forward to so calm a spring. Private long-term credit, however, is still too dear. Twenty years debentures of a 5½ per cent. type are issued at 905 and represent a charge upon the companies (*agio* included) of about 7.3 per cent. This is better than the former 9-10 per cent., but it is still uninviting, and industrial companies are waiting for better conditions to effect conversions.

The Vicious Circle

"The world will be reformed (M. Flandin recently declared) not with doctrines, but with the plough and machines." Nevertheless employers are still not disposed to renew their plant, because of the continued uncertain international outlook. One way of stimulating production would be to increase foreign trade, and this explains the present active negotiations with Central Europe and the Balkans, at a time when French prices are still lower than world prices.

Briefly, the position is this. Industry argues that its charges are too heavy; that, before a company can distribute 100 francs to its shareholders, it must pay 200 francs to the State and 100 francs in social charges. The Government replies that larger investment of capital and larger turnover would lessen the relative weight of these burdens. But industry and the Stock Exchange reply in turn that war is still threatening, and that public funds consequently offer an easier and safer investment. That is the "vicious circle" of the recovery by liberal methods.

"Ten milliards less in taxes would have meant ten milliards more in false money," M. Reynaud has said, to underline the fact that it is inflation and not taxes that causes prices to rise. That is all very well; but, if taxes do not make prices rise, then there is no objection to some slight expansion of credit which would facilitate the lowering of the rate of interest in the money market. The Minister of Finance has promised this expansion many times. But so far no action has been taken. A number of experts are suggesting that present circumstances are reminiscent of the Laval period. Then, the purchasing power of the country was diminished by economies instead of by fresh taxes, and a compensatory expansion of credit was similarly refused by the authorities.

The following table shows recent movements in wholesale prices:—

	Feb. 4th	Feb. 11th	Feb. 18th	Feb. 25th
General index	678	679	675	676
Domestic products ...	706	704	698	700
Imported products ...	628	635	634	633
Foodstuffs	659	654	648	650
Industrial products ...	696	701	700	699

The consumption of coal in January was 5,676,000 tons, almost the same as in January as well as in December last year. Output amounted to 4,311,000 tons, for 20.5 working days, against 4,531,000 tons in December, 1938, for 23 working days, and 3,705,000 tons in January, 1938. Average daily production increased from 180,200 tons in January, 1938, to 185,800 in December and 186,400 in January, 1939. Total imports of foreign coal fell from 1,490,000 tons in December, 1938, to 1,437,000 tons in January, when they were 573,000 tons lower than in January, 1938. The value of coal imports was 311 million francs in January, against 328 millions in December and 419 millions in January, 1938, though the price of imported coal is now 7.15 francs higher than it was in January, 1938.

Germany

Anglo-German Talks

BERLIN, February 27.—Mr Ashton-Gwatkin, of the British Foreign Office, has left Berlin at the end of a busy week to report progress to Mr Chamberlain and to Lord Halifax. His visit grew in meaning and importance from the moment it was announced a week ago that Mr Stanley and Mr Hudson would attend a banquet in Berlin as guests of the *Reichsgruppe Industrie* on the occasion of the Anglo-German industrial discussions. The importance attached to Mr Gwatkin's visit is to be seen by the way in which he was received for lengthy conversations by Herr von Ribbentrop, the Foreign Minister, Field Marshal Goering, Herr Funk, Minister of Economics, and Dr Wohltat, of the Prussian State Ministry, who was actually recalled for this purpose from Bucharest.

One gets the impression, from the various remarks made about the visit, that it ended on a slight note of discord. It is true that the prospects for an Anglo-German trade agreement are still regarded optimistically; Germany feels that England is especially eager for an agreement because there is the possibility that a certain amount of domestic political tension will be the outcome of the operation of her huge new armament programme. The Germans, too, are interested in reaching an agreement, because a further arms race coupled with sharpened commercial competition would place the Reich in increasing financial and economic difficulties.

Nevertheless, the difficulties that must be overcome before an agreement can be reached are still very great. This was clearly shown during Mr Ashton-Gwatkin's visit. The British and German views about procedure differ considerably. The Germans believe that political and economic questions should be kept separate during the discussions. They want, first of all, to see an understanding on trade questions, and they consider that some measure of political understanding will then follow of its own accord. The British view (as seen by Berlin) is that political understanding should come first as a basis for economic co-operation. The difference can be explained by the two Governments' divergent political ideas. The British Government is interested in maintaining peace. The German Government's prime interest lies in assuring its position as a leading power on the Continent, in extending its commercial and political influence in the world, and in winning colonial equality.

Trade with the United Kingdom

The colonial question was probably only mentioned incidentally during the talks with Mr Ashton-Gwatkin. At any rate, it was not the main subject of discussion. Other political questions, however, were in the foreground. Mr Ashton-Gwatkin is believed to have been convinced that, while the Reich is not unwilling to come to an economic understanding with England, the German Government is in no way willing to make political concessions to achieve such an agreement. The recent trend of Anglo-German trade reveals Ger-

many's great dependence on British sources of raw material.

	(In Rm. million)	
	German exports to the United Kingdom	German imports from the United Kingdom
1913	1,438.0	876.0
1929	1,305.5	865.3
1933	405.6	238.4
1937	432.2	308.6
1938	350.9	282.7

Since 1933 exports to England have fallen by 13½ per cent., but imports from England have risen by 18 per cent. in the same period. The *Deutsche Volkswirt* records that, in the first nine months of 1938, Germany bought Rm. 36 millions' worth of coal; Rm. 1.22 millions of coke; Rm. 8.38 millions of fish; Rm. 6.2 millions of machinery; and Rm. 2.46 millions of "land and water vehicles." Apart from coal, England sold Rm. 32 millions' worth of other raw materials to Germany during these months. In addition, imports from the United Kingdom included Rm. 67 millions' worth of semi-finished goods, such as cotton thread (Rm. 24.5 millions), woollen yarn (Rm. 8.6 millions), copper (Rm. 8.65 millions) and oils and fats (Rm. 5.45 millions).

As a result of the gigantic armament programme of the last few years, and the important political events that have gone with it, Germany's financial difficulties have grown in recent months. It was this which led Dr Schacht and Dr von Schwerin-Krosigk to draw up a programme of increased taxation. Their plan was turned down by Herr Hitler, who feared that domestic political difficulties might arise from the consequences such taxation would undoubtedly have had on wages and prices. At the time the Government limited itself to curtailing State expenditure, especially on building projects. The saving on armaments, which was then contemplated, had to be given up because the foreign political situation had grown definitely worse for Germany.

Increased Taxes After All

Now, under the pressure of circumstances, and presumably against the will of the Party, the Reich leaders have after all had to decide in favour of at least partial tax increases. The new income tax law removes a number of exemptions and abatements. Except in the cases of the families of farmers, families with numerous children, and aged, war-wounded or otherwise physically disabled persons, the cost of keeping female house servants may no longer be deducted from returns of income. This deduction was introduced in 1933 to put an end to female unemployment. Church taxes, too, may no longer be deducted. For unmarried persons the rate of income tax is raised by 12½ per cent., but the amount taken in taxes must not exceed 55 per cent. of the person's income. The same increase applies to married couples who have failed to produce children after five years of married life, but in this case, taxes must not exceed 45 per cent. of income. Considerable allowances, ranging from Rm. 28 to Rm. 260 a year for the first child, are granted to families with many children. These regulations square with National Socialist theories of population.

Needless to say, Jews are placed in the highest tax category on principle—except where Jews have non-Jewish or half-Jewish children (or adopted children) in their care. In contrast to the tax programme of Dr Schacht, which would have brought in about Rm. 500 millions in additional revenue, the new programme will yield only about Rm. 200 millions during the first year, and about Rm. 300 millions during the next. With a total tax revenue of Rm. 17,000 millions in the current fiscal year, the additional receipts are insignificant.

The national income has increased considerably during recent years. Since the State claims for itself the greater part of production, consumption has increased much less.

	(In Rm. '000 millions)			
	1928	1932	1937	1938 (provisional)
National income	75.4	45.2	71.0	76.0
National Income (at 1928 prices)	75.4	56.8	86.0	91.8
Wages	42.0	25.7	38.8	41.5
Taxes (total)	14.1	10.3	18.4	22.0
Retail trade turnover	36.2	22.7	30.9	34.0
Investment	13.8	4.3	16.0	18.5

A chief feature is the rapid growth of taxes, that is, of the State's share of the national income. The Reich is forced to collect in taxes the money it pours into business. Investment, too, increased considerably, showing an increase of Rm. 5,000 millions over 1928. Receipts from retail trade have increased yearly since 1933, but they are still Rm. 2,000 millions below the 1928 receipts.

Czecho-Slovakia

Politics and Administration

PRAGUE, February 23.—After the election of the new President and the appointment of a new Government headed by M. Beran, reorganisation is going rapidly ahead. Reaction now prevails both in home and foreign policy against the former regime, which is charged with relying blindly on foreign pledges that in the event failed to materialise, while neglecting to adjust relations with its neighbours. Public opinion is now turning away from former Allies and reaching out towards Germany and other nearby nations, for the Czecho-Slovak people is realistic enough not to waste time in fruitless recrimination. Relations with Slovakia are being gradually improved. The first days of vehement reaction against Czechs and especially Czech officials, have passed; feelings have now calmed down, and there is a better understanding of the need for co-operation with Prague.

The reaction against party politics is reflected in the simplification of the political system by the creation of two parties in Bohemia and Moravia, and a third in Slovakia. Ruthenia also has a single-party system. The first provisional constitutions of Slovakia and Ruthenia are to be replaced by new constitutions, now in preparation. The agrarians favour a system of planned economy. Industries and trades, however, would prefer free enterprise with State intervention limited to a minimum. Administration has been complicated by the establishment of federation, but also simplified by amalgamation of the Ministries of Railways and Posts and those of Social Welfare and Hygiene. The information and propaganda services are thought to have failed, and a new central information office may be set up.

Refugees

The political changes have brought misery to thousands of emigrants and refugees. The Government has made a great effort to alleviate the suffering by means of a special institute for refugees, which tries to find employment for officials, farmers, workers, traders and artisans who have left the occupied territory. The important question is what to do with refugees who are not Czecho-Slovak subjects, their numbers having recently risen considerably, as it would hardly be fair to ask Czecho-Slovakia to grant a permanent home to foreign subjects within her straitened territory. A revision of the naturalisation of all foreign subjects who acquired Czecho-Slovak citizenship after November 1, 1918, has therefore been ordered by the Government. Emigrants who are neither Czecho-Slovak subjects nor Czechs, Slovaks or Ruthenians are obliged, when so ordered by the authorities, to leave the country within a given time. Those who are without means are looked after by the Central Refugee Institute, which is assisted by contributions from the British loan. There is no distinction of race, religion or nationality.

Good Employment

Since October there has been a good deal of discussion on the transfer of industries, especially in those branches which suffered heavy losses by cession of territory, and to prevent unbalanced development the Government has now taken control. Employment in industry is, on the whole, good. The output of coal is rising; and those branches of industry which suffered temporary losses by changed conditions in the Sudetenland are also picking up. The number of unemployed persons in January was 180,071 against 519,002 a year ago, while scheduled public works, especially roads, waterways, and railways, will provide further employment. An agreement has been concluded to enable Germany to hire labour. Social insurance is to be centralised as far as possible.

Wholesale and retail prices have risen slightly, the index of wholesale prices in January being 772 against 733 a year

The OCEAN

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

FOR ALL CLASSES OF INSURANCE

ago. The money market has calmed down again. The Czecho-Slovak crown will now be marked "K" instead of "Kc." The statute of the National Bank has been altered and its administration enlarged. Traffic was heavily hit by the new frontiers, which cut off railway and road communications; the Czecho-Slovak railways were reduced in length from 13,560 to 8,802 km., or by 35 per cent., and increased communications are now needed, especially from Bohemia to the east.

Foreign Trade

Czecho-Slovakia is preserving her character as an industrial country, and therefore requires to export manufactured goods in order to pay for necessary raw materials, food-stuffs, etc. It is thus in her interest to continue trading with "unfettered" markets, especially in the Anglo-Saxon countries and Latin America.

Imports for the period of October-December (after the territorial changes) amounted to K. 1,499 millions, the exports to K. 1,722 millions. Important negotiations with Germany have taken place recently regarding, besides a general trade adjustment, the temporary regime between Czecho-Slovakia and the Sudetenland. Similar negotiations are in progress with Hungary and Poland. With other countries the adaptation of commercial treaties to new conditions is being discussed.

Assisted by the Parliamentary Economy Commission, the Government has drawn up a federal Budget amounting to about three milliard crowns, but provincial Budgets for each of the three federal units are not yet completed. The yield of taxes in 1938 was K. 10,936.8 millions, or 5.4 per cent. more than in 1937. The December receipts were down by 28 per cent. in comparison with the previous year, owing to loss of territory. Direct taxation has been substantially raised. The Government has ordered the sale of superfluous war material, and the Minister of Finance is empowered to issue a new *tranche* of the defence loan, up to two milliard crowns, for the liquidation of payments for war material.

Hungary

Change of Government

BUDAPEST, February 21.—In spite of the Government's adherence to the Axis Powers by joining the Anti-Comintern Pact, anti-German feeling is steadily growing. This revival of Hungarian nationalism, however, has so far failed to unite the country, which is split into sections on the vital issue of land reform. Faced with the opposition of the Conservatives to land reform and the extreme anti-Semitic agitation of the Hungarian Nazis, M. Imrédy tried to stabilise the position of the Government by sacrificing plans for serious land reforms and by placating the Fascists with a drastic new anti-Jewish Bill, pronouncing Jews (racially defined) as a separate *Volksgruppe* and depriving them of political rights. "Every time the Government is in a tight spot, it strikes a blow on the Jews to save its own popularity," M. Eckhardt has declared. The Bill is now being modified.

A New Government

But M. Imrédy was forced to resign, and Count Teleki, the new Prime Minister, has found the country politically and economically desolated. The proposals of the second Anti-Jewish Bill have had a paralysing effect upon commerce and industry. The question of land reform still separates landowners (who have always had the greatest influence on Hungarian political life) from the Government. Deposits in the savings banks in Budapest fell between February (before the Anschluss) and the end of the year from 665 million

pengős to 543 million pengős. The index of share values on the Budapest Exchange fell from 140.1 in January, 1938, to 102.7 on December 31, 1938. The output of the textile industry declined by 15 per cent. over the year, in spite of the one million people (or 10 per cent. of Hungary's population) added by the incorporation of former Czecho-Slovak territories. The number of persons unemployed has risen slightly. Count Teleki, who is an eminent geographer and a very experienced politician, has a difficult task before him.

Gold Revaluation

The Hungarian National Bank officially quotes foreign currencies at their gold parities, but makes a 50 per cent. surcharge when buying and selling them. The bank's assets in gold and foreign exchange and its foreign liabilities have now been revalued by 50 per cent. (by fixing the value of gold at 5,700 pengős per kilogramme), though the nominal quotation at gold parities will continue. At the same time the formal increase in gold cover has been "sterilised," so that it cannot be used for an increase in the note circulation. A profit of 69 millions accrued from the revaluation of the gold stock which will largely counterbalance the loss resulting from the revaluation of its gold liabilities.

Henceforward subjects of foreign countries will be permitted to transfer about one-third of the dividends on Hungarian shares owned by them. The debt settlement of 1937 did not refer to the transfer of dividends and it is hoped that the present gesture will be regarded as an indication of Hungary's willingness to pay her foreign creditors. The present measure was rendered possible by the strengthening of the gold reserves of the bank, which showed some increase even during the difficulties of last year.

Smaller Foreign Trade

There was a surplus of exports in 1938, but the volume of trade fell off. Exports were valued at 522.6 million pengős, against 588 millions in 1937, while imports fell from 483.6 millions to 418.5 millions. The value of imports of industrial raw materials decreased from 198 millions to 109 millions, and of semi-finished goods from 150 millions to 120 millions. These figures point to a considerable decline in internal industrial production.

Trade with Great Britain remained practically unchanged. Exports to Britain fell in value from 42 million pengős to 41 millions, while imports were unchanged at 25 million pengős. There was a general decline in exports to countries with free exchange; while sales to Germany amounted to 46 per cent. of total exports.

The present high level of agricultural prices—in particular the price of wheat at 20 pengős per quintal—is bolstered by German purchases and can only be maintained, without undue sacrifice, if Germany continues to be able to supply Hungary's requirements of industrial imports. There are already some signs of difficulty in this direction; to take one example—Germany is no longer willing to supply textile machinery. In order to counterbalance the present dependence upon Germany for imports, attempts are being made to increase industrial exports to other countries; and a plan is now under discussion for a wide scheme of export credit insurance.

Bulgaria

Good Neighbour Policy

SOFIA, February 18.—Interest in foreign policy is keen. There has been animated discussion in Parliament, especially about the peaceful revision of treaties and the protection of Bulgarian minorities abroad. In a written statement, the Prime Minister affirmed Bulgaria's desire for sincere and loyal co-operation with her neighbours, and the establishment of the friendly relations that will make possible a peaceful settlement of all litigious questions. He emphasised the importance of the Pact of Friendship with Yugoslavia.

It is expected that the Pact of Friendship with Turkey will be renewed for another five years, and the Prime Minister is to visit Ankara. With Greece a regular commercial treaty is to be concluded; and there is an earnest wish for the improvement of better relations with Roumania, to safeguard Bulgarian interests.

Heavy State Outlay

The 1939 Budget has been definitely voted and came into force as from the beginning of February. The ordinary Budget provides 7,626 million leva of receipts and a like

amount for expenditure, against 7,200 million leva originally estimated for 1938. The higher figure for 1939 is warranted by increased ordinary receipts during 1938, when they amounted to 7,685 million leva. The budget of the State railways has also been approved, totalling 1,901 million leva for receipts and expenditure, against estimated receipts of 1,859 millions in 1938 and actual receipts of 2,163 million leva.

The only notable increases in the new Budget are for the Air Force and the War Ministry, which will together take 200 million leva extra, and the Ministries of Agriculture and Public Works, which will absorb an additional 170 million leva. New internal loans and credits are unavoidable—such as 75 million leva for posts and telegraphs, and 128 millions for the Ministry of Agriculture, the latter credit being concluded with the Post Office Savings Bank and the Agricultural and Co-operative Bank.

If it is recalled that last year Parliament voted 4,500 million leva of extraordinary credits for the War Ministry and another 1,000 million leva for the State railways and the construction of new roads, it will be seen that the programme entered into is quite extensive and that the burden on the public debt is substantial. In order to ease the position and in view of the conditions now prevailing on the money market, the Government have passed a law to reduce the rate of interest, on pre-war and post-war internal loans, from 6 and 6½ per cent. to 5 per cent. per annum.

Exchange Shortage

The present economic position is considered to be fairly satisfactory owing to the maintenance of higher prices for export products for Germany, such as pigs, poultry, eggs, etc. The general index of wholesale prices is unchanged.

The lack of free foreign exchange, however, is causing serious difficulties to merchants, and some 80 per cent. of Bulgarian export trade is directed to countries with clearing systems. As a result, the premium on free foreign exchange for private transactions has passed the legal maximum of 35 per cent. and is at present about 50 per cent.

The 1938 wheat harvest was the only crop which yielded satisfactory results. The surplus of wheat for export cannot, in fact, be exported owing to very low prices abroad. The Cereal Board has fixed the domestic price of wheat at 3.40 leva per kilo, a price three times higher than the world price. Naturally, the export of wheat at a loss for the Treasury raises serious difficulties.

Estonia

Agriculture in 1938

TALLIN, February 21.—It is estimated that the net economic production of the country for 1938 was 318 million Kr., in which trade receipts difficult to calculate are not included. Distributed over different fields of production, this total splits up into: agriculture 174, industry 103, transport 14, and real estate 27 million Kr. As is shown, agriculture takes first place; and although in recent years the process of industrialisation has been notably pushed forward, the predominantly agricultural character of Estonia remains scarcely changed. Over 65 per cent. of the population is engaged in agriculture; comparatively, agricultural technique has advanced little, and attention is accordingly being directed towards this. Between 1929 and 1938 the area of arable land rose from 807,100 to 889,200 hectares, connected with which is the attempt to make Estonia independent of bread cereal imports.

In 1938 the harvests were as follows, corresponding figures for 1937 being in brackets: Rye 184,000 (211,500) tons, wheat 83,100 (75,900) tons, barley 97,400 (80,900) tons, oats 169,700 (139,100) tons, muslin 109,100 (90,300) tons, potatoes 945,600 (985,600) tons, flax 7,500 (10,300) tons, and linseed 8,400 (11,700) tons. Although in some cases the weight of crops fell, the quality was on the whole better than in 1937. Prices for seed-crops and dairy produce moved independently of world markets, and the Government guaranteed fixed prices to producers. Thus, with Government subventions, prices for rye and wheat in 1938 were made up to Kr. 160 per ton and Kr. 230 per ton respectively; and these were a good deal higher than prices on world markets. Export prices for butter and eggs also improved owing to price conditions in the importing countries. The price level for flax fluctuated freely, and the export price for flax (on the Risten basis) was Kr. 135 per ton on January 4, 1938, and Kr. 107 on January 5, 1937.

Livestock increased on the previous year, the number of horned cattle from 639,000 to 660,900 and of pigs from 379,000 to 385,000. Owing to the improvement in butter and meat production, the value of all agricultural production rose from 184 million Kr. in 1936-37 to 192 million Kr. in 1937-38. For 1938-39 production is estimated at a value of 200 million Kr. A great part of the production is exported: in the first eleven months of 1938 agricultural exports were valued at 44 million Kr. against 37 million Kr. in the same period of 1937. Particularly encouraging in 1938 was the export of live pigs, from 23,600 to 66,300, to Germany and Russia. Butter exports rose from 12,465 tons to 13,985 tons, almost exclusively to Great Britain and Germany. In Estonia's total exports the share taken by agricultural produce rose over 1937 from 38 per cent. to 46 per cent.

An increasingly important problem is that presented by a shortage of land workers. With increasing industrialisation there is a corresponding drift to the towns, and hence a perceptible shortage of land workers and a rise in wages. This problem is being temporarily solved by the import of Polish seasonal labour, but the Government is anxious to find other means of solution. There is, to begin with, an official programme for rural dwelling houses: this is accompanied by energetic propaganda for the substitute of man power by mechanical power, and cheap credit is available for the purchase of agricultural machinery. The import of agricultural machines, in the first eleven months of 1938, increased in value over the same period in 1937 from Kr. 3,726,000 to Kr. 4,352,000; and it should also be remembered that Estonian industry itself is busy on the production of these machines.

Industrial conditions are satisfactory, although a slight recession over 1937 is noticeable. On November 1, 1938, there were 48,773 workers engaged in heavy industry against 51,076 on November 1, 1937. This recession is due to weakened market conditions abroad for timber, cellulose and textiles, but also in part due to labour rationalisation. The position in the money market was normal in the closing months of 1938. In the course of November deposits in the banks rose from 117.3 to 120.3 million Kr., and loans rose from 126.6 to 129.2 million Kr. The foreign exchange position was unchanged, and may be regarded as quite satisfactory. Gold and exchange holdings of the Eesti Bank were, on December 23, 1938, 50.3 million Kr. against 50.4 million Kr. on November 23rd, while the note circulation rose in the same period from 53.0 to 53.8 million Kr.

New Boom Ahead

Another Challenging Forecast

Major L. L. B. Angas

Internationally known Investment Consultant. Author of "Investment for Appreciation," "The Problems of the Foreign Exchanges," etc., etc.

In this challenging new pamphlet, Major Angas explains how Hitler is indirectly inaugurating industrial revival in England, which will be preceded by a Stock Exchange boom. Suggestions are made as to how to ride the coming boom.

Previous Forecasts

FORECASTS OF FALLS		
	Date	Subsequent Decline
Reparations, Trade, and Foreign Exchange (Forecasting the collapse in the German mark)	Feb. 1921	99%
Coming Collapse in Rubber	Jan. 1926	80%
Coming Collapse in Gold. (Included alternative forecast of further boom if America revalued ...)	Nov. 1933	
Slump Ahead in Bonds (U.S.A.)	Feb. 1937	10%
FORECASTS OF RISES		
	Date	Subsequent Advance
Coming Rise in Gold Shares	Feb. 1931	150%
Coming (English) Boom	Sept. 1931	100%
Stock Market Tactics (Forecasting the Bond Boom, etc., in England)	Jan. 1932	28%
Coming Rise in Wall Street	Apr. 1933	190%
Coming American Boom	July 1934	100%
The (American) Boom Begins	Apr. 1935	65%
The Coming Rescue-Inflation (and Scramble for Stocks) U.S.A.	Apr. 1938	45%

Tear out this advt., ENCLOSE 5/-, and post to: (Dept. B), ST. CLEMENTS PRESS, Portugal Street, London, W.C.2

BRITISH MALAYA

For information on all matters relating to travel attractions, motoring, agriculture, mining and trade—you are invited to write for illustrated booklets, etc., to

MALAYAN INFORMATION AGENCY

MALAYA HOUSE, TRAFALGAR SQUARE, W.C.2

Letters to the Editor

Nazi Economics

TO THE EDITOR OF THE ECONOMIST

SIR,—In his letter (*The Economist*, January 28, page 380) Mr Balogh points out that the present tension in Germany, and the fact that Germany has used her foreign successes for increased military power instead of raising the standard of living, are "not the necessary effect of totalitarian economics. It is the direct consequence of deliberate policy." In an article in the *Economic Journal* in September, 1938, Mr Balogh emphasised, too, that the difficulties are due to the aims "which are by no means identical with the system."

The Nazis govern by oppression, because only thus can they lower the general standard of life, move employed and unemployed in all possible directions and dictate wages and prices, without succumbing to the resistance of all those concerned. They cannot satisfy consumers' desires. Under a peace economy, Mr Balogh agreed in his article, Germany would face the same difficulties as other countries. Unable to solve the problems by a peace-economy or to silence existing discontent by a satisfying home policy, foreign policy remains the only field where striking successes can be achieved.

The soothing effect of these is, however, of short duration, and new foreign successes have to be prepared. A Fascist offensive usually coincides with a peak of discontent. Only foreign successes can compensate the population for their sacrifices, and only still higher sacrifices can guarantee the next foreign success. This method of lowering the standard of living and increasing military power for the next coup has proved successful so far. Foreign successes are achieved by a superiority over foreign countries. In order to keep this superiority, the requirements of normal economic development must be pushed aside.

On October 9th, after the occupation of the Sudetenland, Herr Hitler said: "I am convinced that it is cheaper to

arm one's self before the event than to be defeated unarmed when the day comes," and on January 30, 1939: "We must have unproductive expenses for armaments. The economic system rises and falls with foreign political security."

German Fascism is based on an inseparable unity of foreign, home and economic policy. Their interdependence, the interconnection between failure or success in each of these spheres, excludes any deliberate policy to a large extent, and restricts the liberty of action of the Government mainly to timing the explosion. To sympathise with certain "means" of Fascism as worthy of imitation, while decrying the rest of Fascist home and foreign policy, will lead to a misconception of the character and essence of Fascist totalitarianism.

Yours faithfully,

D. M. MOORE.

Oxford.

Profits Indices

TO THE EDITOR OF THE ECONOMIST

SIR,—The object of a profits index is (1) to indicate the trend of company profits, particularly at the turn of the trade cycle; (2) to enable long-term comparisons to be made.

The method of construction of your quarterly index, which brings in profits reported a year earlier as if they were still current, allows a considerable time-lag to develop, with the result that, at the present time for instance, your index understates the fall in earnings, and comparison with the period 1929-32 is not possible. The basic fault of the index is that it combines the profits of four sets of companies, earned at different times, as if they were all current at the same time. Each company's annual profit is incorporated four times into the quarterly figures, although annual profits may be rising at the rate of some 15 per cent. per annum (1932-37). As soon as profits begin to decline, the effect of the time-lag becomes serious, since you assume that the three sets of companies which have not yet reported are still earning at the old rate. Two faults therefore occur: (1) You do not show accurately the turn of the cycle; (2) your index, by lagging behind in the cyclical downswing, vitiates comparison between this and the foregoing period.

An annual index can be constructed from the total profits of all companies reporting within each year (*vide* Bank of England Statistical Summary, using your own profits data). A quarterly index should interpolate into this, but, actually, a comparison between your quarterly and annual indices only shows consistent results close on either side of the base 1935—that is, in the middle of a definite trend. Prior to 1932 and in 1937 the indices deviate. In mid-1937 (year of earnings) your quarterly index shows 131.7 and your annual index 127.2; and this divergence will naturally become more marked as profits continue to decline. From 1929-33 the two indices have a mean deviation of some 10 per cent., and in mid-1931 the deviation is 16 per cent.

The only way to construct a quarterly index is, I suggest, by determining the changes taking place in company earnings during each year, in order to find the proportion of profits earned in each quarter. This can be done graphically, and the resultant index is consistent with your annual index, except at the cyclical turns where it gives greater detail. Against your latest index number of 130.3 the index mentioned, which allows for the decline in the first and second quarter companies to date, gives 124.

Yours faithfully,

G. O. HOSKINS.

Brighton.

[Mr Hoskins' criticism of our new quarterly profits index is, in essence, a criticism of the raw material on which all profits calculations must be based. Some time-lag element is unavoidable in any profits index, unless, as Mr Hoskins appears to suggest in his final paragraph, the trend shown in each separate quarter of any given twelve-months period is extrapolated. The result of that process, however, is not to give an index of reported profits up to date, but an index of assumed profits. No annual index would escape Mr Hoskins' censure that four sets of company profits, earned at different times, are combined as if they were all current at the same time. Annual indices based on twelve different twelve-monthly periods would also fail to show the precise point at which the profits cycle changes. Until companies provide quarterly, or even monthly, profits, and issue their reports on the same day each year, we fear that the perfect profits index will be impossible to devise.—EDITOR.]

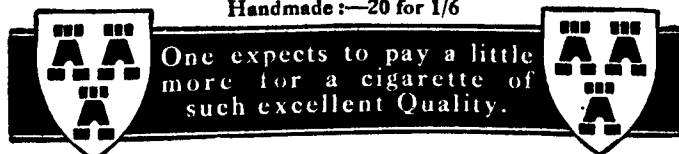


20 for 1/4^p

**WILL'S
THREE CASTLES
CIGARETTES**

10 for 8^p 15 for 1/- 50 for 3/3^p 100 for 6/4^p

Handmade:—20 for 1/6



One expects to pay a little more for a cigarette of such excellent Quality.

Issued by The Imperial Tobacco Co. (of Great Britain and Ireland), Ltd.

T.T.1932B

Books and Publications

Shorter Notices

"Report on Economic and Commercial Conditions in Finland." By Eric R. Lingeman. Department of Overseas Trade. August 1938. 90 pages. Price 1s. 6d.

Finland, with a population of under four million, belongs to that happy band of vigorous smaller nations, which are both efficiently and democratically governed. Like Sweden and New Zealand, Finland has recently experienced both exceptional prosperity and a Socialist or partly Socialist Government. Encouraged by boom conditions in their export industries and rising national incomes these countries have embarked on important additions to their social services. Can these additions be maintained, now that boom has given place to recession? That is the crucial question. None of these countries can isolate themselves from the economic ups and downs of the outside world. One-third of Finland's production is exported, and over 80 per cent. of her exports consists of timber and forest products. But the Finnish Government has pursued a sound financial policy during the boom, repatriating the greater part of her foreign debt and accumulating a Budget equalisation fund to mitigate the difficulties arising from dwindling revenue in depression. Finland's enlightened social and economic policy is worthy of study, and H.M. Commercial Secretary in Helsingfors is to be congratulated on this informative survey.

"Price Control in Fascist Italy." By Henry S. Miller. Columbia University Press and P. S. King and Son. 146 pages. Price 8s.

This book is an interesting survey of the legal and administrative mechanism of price control in Italy, but it is not much more. This is not the fault of the author, who has done his best to make a lot of bricks with very little straw. His chapter on "The Statistics of Italian Prices" is extremely clear, and will be useful to anyone who wishes to examine the existing material. But many of the indices of prices have a slender basis. Nowadays in the smallest shop in the smallest Italian town you will find the list of maximum prices hung up on the wall. But if the law is at all generally infringed, official statistics must seriously under-estimate recent price rises. Mr Miller reaches the conclusion that the index of hourly wages in industry is seriously erroneous. This has been officially admitted, and the index is no longer computed. The index of wages paid in commerce, based on sickness insurance statistics, seems to be rather more reliable, but in the case of agriculture the author concludes that "there is no way of telling whether real agricultural incomes have been maintained or not." In the circumstances his final conclusion that "wages in commerce and industry have kept up fairly well with the cost of living and that in agriculture we can only guess that the same is true . . ." must be treated with reserve. All we do know is that, if real incomes have been maintained they have certainly not been vastly increased.

"New Boom Ahead in England." By Major L. L. B. Angas. St. Clements Press. 28 pages. Price 5s.

Major Angas is a confirmed believer in the force of monetary inflation to produce higher equity prices and to revive industrial activity. His estimate of the effects of defence borrowing is a "10 per cent. inflation." And he estimates that Herr Hitler will establish economic hegemony over Middle Europe without recourse to war. The market discounts this technique of bullying. But it has not, in Major Angas's view, discounted the coming inflation.

Books Received

Some Thoughts on the Economics of Public Education. By R. H. Tawney. (London) H. Milford. 45 pages. No price stated.

The West Indies To-day. (London) The International African Service Bureau. 47 pages. 6d. net.

One Hundred Questions and Answers about Coal. (London) Philip Gee, 5 New Court, Lincoln's Inn, W.C.2. 132 pages. 3d. net.

Bank Holidays during 1939. (London) Bank of London and South America, Ltd. 39 pages. No price stated.

G.W.R. Docks, 1939. (London) H. N. Appleby, Ltd., and (Cardiff) Great Western Railway. 355 pages. No price stated.

Commercial Banking Reform in the United States. By L. L. Watkins. (Michigan) University of Michigan. 133 pages. \$1.00.

The Public Finance of the Union of Soviet Socialist Republics. By P. Haensel. Reprinted from "The Tax Magazine," September-December, 1938. (Evanston, Ill.) Chandler's Bookstore. 39 pages. \$1.00.

Temporary Monetary Theory. By R. J. Saulnier. (London) P. S. King. 420 pages. 16s. net.

Statistisches Jahrbuch für das Deutsche Reich, 1938. (Berlin) Verlag für Sozialpolitik, Wirtschaft und Statistik, Paul Schmidt. 1015 pages. No price stated.

The Incorporated Accountants' Year Book, 1939. List of Members and Regulations. (London) Society of Incorporated Accountants and Auditors, Victoria Embankment, W.C.2. 1,302 pages. No price stated.

Imperial Institute, Annual Report, 1938. By the Director, Sir Harry Lindsay, to the Board of Governors. (London, S.W.7) Imperial Institute. 79 pages. No price stated.

Power Farming for Crops and Stocks. By D. N. McHardy. (Reading) Philip Palmer Press, Ltd. 201 pages. 8s. 6d. net.

An interesting if somewhat discursive account of the part which can be played in modern farming by machinery and mechanical power. The book is apparently intended for the non-agricultural reader, since it does not give sufficient detail of the various machines to be of much use to the practical farmer.

L'Impôt sur le Revenu en Angleterre. By J. Lhomme. (Paris) Librairie Générale de Droit et de Jurisprudence. 468 pages. No price stated.

Germany's Claim to Colonies. Information Department Papers No. 23. Second Edition, Revised and Enlarged. (London) Royal Institute of International Affairs. 95 pages. 1s. net.

China and Japan. Information Department Papers No. 21. Second Edition, Revised and Enlarged. (London) Royal Institute of International Affairs. 151 pages. 2s. 6d. net.

Official Publications

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

Agricultural Statistics, 1936. Vol. LXXI, Part II. 2s. 6d. net.

Trade Agreement Between the United Kingdom and the United States of America. Cmd. 5882. 1s. 6d. net.

Papers Relating to the International Tin Control Scheme. Cmd. 5879. 4d. net.

Statistical Abstract of the British Empire for each of the Ten Years 1928 to 1937. Cmd. 5872. 5s. net.

Colonial Reports. No. 1872. Cayman Islands (Dependency of Jamaica), 1937. 9d. net. No. 1873. Sierra Leone, 1937. 1s. 3d. net. No. 1874. Mauritius, 1937. 1s. 3d. net. No. 1875. Federated Malay States, 1937. 3s. net. No. 1876. British Guiana, 1937. 1s. net. No. 1877. British Solomon Islands Protectorate, 1937. 9d. net. No. 1878. Bahamas, 1937. 9d. net. No. 1879. Gilbert and Ellice Islands Colony, 1937. 9d. net. No. 1880. Somaliland, 1937. 9d. net. No. 1881. Fiji, 1937. 1s. 3d. net. No. 1882. Gold Coast, 1937-38. 2s. net. No. 1883. Aden, April 1-December 31, 1937. 1s. net. No. 1884. Swaziland, 1937. 6d. net. No. 1886. Nigeria, 1937. 2s. net.

THE ROUND TABLE

A Quarterly Review of the Politics of the British Commonwealth
Leading Contents for MARCH

MAN POWER AND THE WAR PERIL
THE BRITISH COMMONWEALTH AFTER MUNICH
PALESTINE: THE WIDER HOPE
AMERICA STANDS WITH THE DEMOCRACIES
PROBLEMS OF BRITISH WEST AFRICA
THE FUTURE IN CHINA
NEW ZEALAND VOTES LABOUR
DUST BOWLS OF THE EMPIRE
OBSTACLES TO INDIAN FEDERATION
NEW YEAR IN IRELAND

Also Articles from Great Britain, Canada, Australia, and South Africa

Price 5/- per copy or 20/- per annum. Post free

To be obtained through all Booksellers, Newsagents, and at
MACMILLAN & CO., LTD., LONDON, W.C.2

BRITISH RAILWAYS

In the following three articles, *The Economist* presents a survey of the past year's achievements of the four group railway companies, and of their prospects for the future. The first article discusses the investment prospects of home railway stocks, in the light of last year's operating economies, and of the signs that the traffic trend may improve this year. Operating problems and their relation to the "Square Deal" campaign are discussed in the second article, and the survey concludes with an examination of the net return and capital requirements of each department of railway and ancillary operation. The articles are accompanied by comprehensive statistical tables on page 450.

I. Recovery in Home Rails?

By an apparent paradox, the market has reacted to the worst railway results since 1933 by beginning to discount the possibilities of recovery. After a year in which the stockholder lost nearly £9 millions in dividends—for net revenues slumped in 1938 from £37,901,000 to £28,985,000—the improvement over the past fortnight in such marginal stocks as L.M.S. first preference (from 48½ to 53½), Southern preferred (from 62½ to 65½) and L. and N.E. second guaranteed (from 50 to 58½) is spectacular. Recovery has been assisted by the tempered optimism of the railway chairmen and by the first symptoms of improvement in the traffic trend.

Yet railway stockholders would do themselves a disservice if they were to measure the prospects for the current year merely by reference to the devastating loss of traffic in a depression year. Economic activity as a whole remained roughly stationary during the latter two-thirds of last year, but the major fall in railway receipts continued throughout this period. Taking the railway and ancillary gross receipts for all four lines, the fall of 4.2 per cent. in the past year compares favourably with the fall of 6.8 per cent. in *The Economist's* index of Business Activity. But taking a longer perspective, between 1929 and 1938 gross receipts have fallen by no less than 12.1 per cent., compared with an improvement of 6 per cent. in Business Activity. The investor may look forward to the possibility that, in a few weeks' time, traffic losses will be arrested, but merely to "break even" with 1938 will not make 1939 a good year. Fortunately, there is some evidence, though not as yet very substantial, that a positive improvement in trade and traffic may be seen during this year. Lord Stamp, at last week's L.M.S. meeting, discerned on balance a little more optimism, while Lord Home stressed the probability that industrial stocks must soon be replenished. The studied caution of these statements, however, compared with the preceding year's optimism, tells its own story. Railway managements are anticipating some recovery in business, but not of "normal" dimensions—if that term retains any relevance for railways to-day. And for the eight weeks to date the accumulated losses for 1939 already amount to £1,488,000.

In recent issues of *The Economist* the financial results of the four group lines have been reviewed in detail. In Table I, on page 450, the revenues, expenditures and appropriations of the companies are set out for 1929, 1937 and 1938, as a basis for discussion of the current year's prospects. So far as revenue is concerned, it is scarcely profitable to attempt to guess the magnitude of any recovery in traffic which may be obtained this year. The comparison of 1938 with 1937 was improved, for nine months of the year, by the 5 per cent. increase in charges introduced in October, 1937. But except for passenger receipts on the L.M.S. and Southern, increased charges merely acted as an insufficient counter-weight for falling passenger and goods traffic. The companies alone are in a position to say whether the expected retention of the basic increase in charges (originally estimated at 3½ per cent. for passengers, 3 per cent. for merchandise and 4 per cent. for coal) has in fact been realised. But, on the face

of the figures, the greatest relative gain has been in passenger receipts. On the goods side, the volume of traffic was severely curtailed, and seepage to the roads more acute.

An analysis of last year's operating costs, however, can be put on a firmer basis. The companies (in particular L.M.S. and L. and N.E.) are to be commended for providing much information on costs in addition to that which already appears in the reports. In the following table an attempt has been made to collate the information which is available. The table sets out the movement in gross railway and ancillary receipts and expenditure during the first and second halves of 1938 from the reports, and analyses the extent to which the estimated gross increase in costs due to higher wages and prices has been offset by savings due to reduced traffic and operating economies:—

RAILWAYS AND ANCILLARIES—1938 COMPARED WITH 1937
(£'000)

	Gross Receipts	Expenditure (net)	Net Receipts	Gross effect of Increased Wages and Prices	Savings due to Reduced Traffic and Economies	Net Savings (—) or Increase in Expenditure (+)
L.M.S.:						
1st half...	959	537	1,496	1,040	503	537
2nd half...	2,444	877	1,567	360	1,237	877
Full year	3,403	340	3,063	1,400g	1,740	340
L.N.E.R. (a):						
1st half...	729	1,051	1,780	1,051c	—	1,051
2nd half...	1,994	320	1,674	715	1,035	320
Full year	2,723	731	3,454	1,766b	1,035	731
G.W.R.:						
1st half...	306	522	828d	?	?	522
2nd half...	1,241	254	987	246	500	254
Full year	1,547	268	1,815	?	?	268
S.R. (e):						
1st half...	83	456	539	456f	—	456
2nd half...	18	37	55	24g	—	24g
Full year	101	493	594	480h	—	480

(a) Including net miscellaneous receipts and charges. (b) Includes salaries and wages £698,000, fuel and materials £783,000, increased maintenance £285,000. (c) Of which wages £473,000, fuel and materials £403,000, increased maintenance £175,000. (d) Net revenue from all sources fell £818,000. (e) Excludes ancillaries. (f) Of which increased wages £220,000 and £236,000 increased prices and maintenance. (g) Of which £900,000 estimated for wages and £500,000 for materials. (h) Attributable to increases in total expenditure of £464,000.

Except on the Southern, the second half of the year experienced the major fall in gross receipts. Naturally enough, it was also the period in which the companies reaped the larger "savings"—so far as they are known. And the improvement on the costs side in the second half of the year (in comparison with 1937) was helped by the fact that the rates of wages were higher in 1938 than in 1937 for the whole of the first half but for only six weeks of the second half. Moreover, the rate of increase in materials prices became much less acute after the middle of the year. It would, of course, be wrong to suppose that the whole of the "savings" of £1,740,000 for the L.M.S. and £1,035,000 for L. and N.E. represents a permanent gain for the companies. But in the former case it exceeded the gross effect of increased wage and materials costs by

£340,000 (a result which testifies to the remarkable efficiency of budgetary control at Euston), while the L. and N.E. was able to effect a substantial net reduction in expenditure during the second half of the year. Unfortunately, the companies, in their cost analysis, stop short at a highly interesting point for the stockholder, since they do not dissect the savings that are due merely to reduced working last year, and those economies which may be expected to be permanent, irrespective of the volume of traffic. In terms of the fall in gross receipts, however, the L.M.S. "savings" represented 51 per cent. and the L. and N.E. "savings" 38 per cent., while Great Western, with a "saving" exceeding £500,000 in the second half of 1938 offset 40 per cent. of its fall in gross receipts for the period.

Some additional light on reduced working and permanent economies, however, is provided by the L.M.S. Last year the charge for locomotive coal showed a net decrease of £83 at £4,885,862. Lord Stamp's estimate at last week's meeting showed that increased prices per ton accounted for £201,750, but of this sum, £153,104 was saved through reduced mileage, while £48,729 was saved by lower consumption per mile. The reduced mileage saving can be regarded as the reduced running charge, and the lower consumption saving as the permanent economy. Again, taking locomotive and traffic expenses together, the L.M.S. shows an increase of only £63,000. But in 1937, salaries and wages under these headings totalled £23,230,000, and for 7½ months of 1938 the rates were 1½ per cent. higher than in 1937. The actual decrease of £74,000 in wages on these accounts last year represents a real saving of the order of £300,000 when allowance is made for the restoration of cuts—a fact which clearly points to more effective use of the staff and avoidance of overtime charges.

Such results do not appear to have been equalled, so far as the data are available, by any of the other lines, but they are favourable pointers of general significance for the current year. It is true, of course, that the National Railway Staff Tribunal is now considering claims for increased wages and betterment lodged by the Unions, but few stockholders are unnerved at the thought of the prospective decision. As for prices of materials, 1937 projected its legacy of heavy increases into 1938, but on balance little further increase is to be expected during the current year. To take only one example, the price of steel rails, of which the railways used 214,493 tons last year, has been reduced from £10 2s. 6d. to £9 10s.—though the resultant saving will not be wholly attributable to revenue expenditure. Making the relatively severe assumptions that no improvement in gross receipts will be reaped during the first half of this year, that reduced prices will offset any residuum of wage increases carried into 1939 (in other words assuming that there is no additional burden of wages and prices over last year's), the continuance into 1939 of the economies effected in the second half of 1938 should produce savings of the order of £1½ millions for the L.M.S., over £1 million for the L. and N.E. and over £500,000 for the Great Western to be obtained during the first half of this year. On the basis of total expenditure, the Southern made a small saving of £16,000 last year, and may have the opportunity to improve on this performance during the current half-year.

Two reservations are necessary before these results are translated into potential earnings. The first is that they are to some extent non-recurring—they can hardly be matched by a comparable volume of additional savings during the current year. The second is that an improvement in gross receipts would reduce the estimated saving, though it would, at the same time, improve net receipts. Stockholders would be wise, therefore, to regard these figures, at least in part, as the benefit of misfortune. It is to an increase in gross receipts, rather than the temporary "saving" in costs, that the stockholder must look for real recovery.

It is salutary, therefore, that the recent improvement in home rail stocks has been concentrated on issues above rather than below the margin, whose earnings, or cover, should show the greatest relative improvement. Merely as a guide to orders of magnitude, the following table relates the economies in prospect to the marginal stocks of the three lines for which figures are available:—

Amounts in £'000's					
	Marginal stocks	Required for full divs.*	Potential saving	Equivalent earnings	Current price
L.M.S.	4% pref., 1923	1,569	1,250	3.2	32
L. & N.E. ...	{ 4% 1st pref. } { 5% 2nd pref. }	2,129	1,000	{ 1.9 } { 2.3 }	28½ 47½
G.W.	Ord.	500	1.3	27½	4.7
Southern ...	Pref. ord.	132	?	65½	7.6

* Compared with 1938. † Flat yield, without allowance for redemption at par, 1955. ‡ On full dividend, short earned in 1938 by £131,871.

If our basis of estimation—admittedly crude, owing to the imponderables in the railway situation—has any foundation in reality, it is impossible to avoid the conclusion that the marginal stocks of L. and N.E. and Great Western have been carried relatively higher than L.M.S. 1923 preference. A similar yield range (but different incidence) is evident among the senior debenture stocks. Great Western and Southern 4 per cent. debentures, quoted slightly below par, are, in effect, a gilt-edged risk, and their movements depend largely upon the course of interest rates. On the other hand, L.M.S. 4 per cent. stock, at 91, and L. and N.E. 3 per cent., at 65½, recognise the industrial risk to a greater extent, with yields of 4.4 and 4.6 per cent. respectively. These two stocks may provide a cushion to rising interest rates, assuming that railway revenues recover. Between the senior securities and the marginal stocks lie the guaranteed and preference issues whose prices are already responding vigorously (in a market short of stock) to the prospect of improved earnings. This middle range includes stocks like L. and N.E. second guaranteed and L.M.S. first preference, which were only just within the margin last year. There is, in fact, a stock to suit every taste in the home rail market—if, indeed, it is recovery. At the moment there is every prospect of an interim improvement in the position of the home railways. But whether that improvement will endure depends first on the recovery possibilities of industry at large, and secondly on the long-term fruits of a Square Deal which appears to have lost its original shape.

2. The "Square Deal" Background

WHEN railwaymen discuss their operating problems they handle such multi-dimensional quantities as "average net ton-miles per freight train mile," which elude the layman's mind. When they seek to enlist public support for a solution of those problems they are wise enough to rely upon the simpler concept of the "Square Deal." Yet behind the "Square Deal" campaign lies the unavailing attempt of the railways, during more than a decade, to get on equal terms with the road carriers, public and private. And the consequences of that lack of success—which have involved

a continuous seepage of highly remunerative traffic to the roads, and a lower effective return from the heavy traffic which the road haulier would not, or could not, handle—can only properly be examined with the assistance of some of the complicated measuring-rods which the railwayman employs.

Table II on page 450 summarises the general operating experience of the railways in 1929, 1937 and 1938. Unfortunately, the full details of last year's working will not be available until the Ministry of Transport returns are

published later this year, and in the absence of cumulative figures for the first ten months of 1938 some operating statistics for last year (bracketed in the table) refer only to the four weeks ended October 29th. The table falls into three sections—volume of traffic and receipts for passengers and goods and indices of efficiency for freight train and locomotive working.

If all branches of railway operating had been conducted with the relative success which has attended passenger operations during the past decade, railway stockholders would sleep more easily. Even last year, only the Great Western showed a really substantial reduction in the number of passengers carried, compared with 1929, and this reduction was partially offset by a significant rise in the average fare from 1s. 3.92d. in 1929 to 1s. 5.32d. in 1938. On the two "northern" lines the average fare, fortified by the 5 per cent. increase in 1937, has been almost maintained over the period. Only the Southern shows striking changes on the passenger side. The intensive development of traffic has increased the number of passengers from 208.8 millions in 1929 to 236.5 millions in 1938 (though the latter figure showed a 3½ per cent. fall compared with 1937), but the average fare has declined from 1s. 1.45d. to 11.54d. The increased proportion of short-distance traffic, coupled with the fact that, in the London Transport area, the companies have yet to obtain authority for a basic 5 per cent. increase in fares, largely explain the reduction in average fares received by the Southern.

But the "Square Deal" campaign is concerned with "fair play" for goods traffic. During the past decade the volume of goods traffic handled has fallen by 18.8 per cent., and even at the cyclical peak of 1937 the tonnage was 9.1 per cent. below that of 1929. But the incidence of the fall has been relatively heavier for the lighter (and more remunerative) traffic between the two cyclical peaks, as the following table shows:—

GOODS TRAFFIC 1929-38

	1929	1937	1938	Fall 1929-37	Fall 1929-38
Merchandise (ex. Classes 1-6)	Mn. tons	Mn. tons	Mn. tons	%	%
Minerals, merchandise (Classes 1-6)	78.2	70.4	62.9	10.0	19.5
Coal, coke, etc.	79.4	72.9	59.1	8.2	25.5
All Classes	242.2	220.2	202.3	9.1	16.4
	399.9	363.6	324.4	9.1	18.8

Compared with an over-all fall of 9.1 per cent. in freight tonnage, the lighter merchandise classifications showed a fall of exactly 10 per cent. between 1929 and 1937, and by the end of 1938 this rate of fall had been almost doubled. It is precisely this loss of profitable traffic to the roads which has caused the railways such grave concern. Taking last year's L.M.S. figures as an example, lighter merchandise produced an average receipt of 13s. 3.15d. per ton, compared with 4s. 3.51d. per ton for merchandise classes 1-6, and 3s. 7.87d. per ton for coal and coke. These, however, are only crude measures. Taking the receipts per unit of work—in other words, per ton-mile—the biggest fall is concentrated, for every company, on the lighter traffics; the average receipt per ton-mile for mineral traffic shows a much smaller reduction, while the coal figures are remarkably stable. In short, the reduced volume of heavy traffics offered to the railways is attributable more to general economic conditions than to the enticements of road competition. These are the traffics which, according to the strict canon of railway charges, are charged on the basis of what the traffic will bear, rather than a close calculation of cost of service. But this theory equally assumes that the high-rate traffic should continue to provide the necessary support to railway revenues, so that industry's raw materials may be carried at minimum cost. And that side of the equation has broken down, owing partly to the loss of traffic to the roads, and partly to the reduction in the average receipt per ton-mile of light merchandise from 2.269d. to 1.948d. between 1929 and 1937 (compared with falls from 1.105d. to 0.966d. for minerals, etc., and a minor change from 1.044d. to 1.037d. for coal and coke), which has been necessary to retain even a reduced volume of traffic. At the same time, the average length of

haul for light merchandise has shown a significant increase from 91.15 miles to 103.21 miles. Had this increase been accompanied by a higher volume of traffic, or by maintained receipts per ton-mile, it would have been welcome. But unfortunately it only serves to illustrate the continued loss of short-distance traffic to the roads, and the increasing radius of road haulage services.

The railways have two principal means of offsetting these trends. They can improve the loading of freight trains and wagons; and they can improve the amount of work obtained from their locomotives. How far have they succeeded? The last two sections of Table II provide an answer for each of the main lines. Except on the L.M.S., there was no improvement in the freight train load between 1929 and 1937, and the L. & N.E. showed an appreciable reduction. A similar disappointment is recorded in the average wagon load figures for all classes of freight. Dissection of the figures into different classes, it is true, shows that improved loadings have been achieved for minerals traffic (from 9.07 tons to 9.64 tons) and for coal and coke (from 9.42 tons to 9.75 tons) between 1929 and 1937. But the wagon load for light merchandise actually fell from 2.94 tons to 2.88 tons. Smaller individual consignments account for part of the lighter load. But in order to compete more effectively with the roads in speedy delivery, the railways have extended their booked freight train services, and speed is not compatible with an optimum loading factor. Nor has the solution been found by increasing the number of loaded wagons per train; in 1937 the average of 23.20 wagons per train was almost identical with the figure for 1929.

As between an attempt to reduce effective freight train costs and the desire to increase, or at least to retain, light merchandise traffic, the railways have chosen the latter alternative. To have chosen the former might have made lower charges possible; but the railways have obviously estimated that the traffic gained by lower charges would be less than the traffic lost by increased time in handling. This hard choice does not mean that the railways have stood still in the matter of operating efficiency. The reduction of shunting and "other" miles per 100 freight train miles in recent years indicates the improvements which have been made in the marshalling yards, with their consequent savings and improved deliveries. Another index—wagon miles per total engine hour—relates, in effect, the volume of traffic handled to the costs of moving it. And this measure shows an improvement for all four companies, particularly impressive in the case of the L. & N.E. Finally, steam locomotive efficiency has made enormous strides. The L.M.S. to-day has 22 per cent. fewer locomotives compared with 1929, but it obtains 24 per cent. more mileage per day from each engine in use. The other companies have not matched the locomotive policy of the L.M.S., partly because their operating problems and traffics are markedly different. It is possible, however, that had the L. & N.E. been able to provide more generously for renewals during the past decade, it might have compared more closely with the justly famous "locomotive policy" of the L.M.S.

Will the "Square Deal," in the much modified form which now seems possible, significantly modify the operating experience of the past ten years? Freedom to fix "reasonable" rates should, on balance, improve the receipts from minerals and coal traffic, where the threat of road competition has always been small, but the traditional calculus of railway charges largest. But the precise effect upon light merchandise would depend upon the form of transport cartel which emerged from the present discussions—and particularly whether it was given statutory force. If effective co-ordination of rates on rail and road can be secured, it may be that in future traffic will tend to be divided between road and rail by considerations of door-to-door transit time, the railways diminishing their efforts to compete in speed of delivery, the roads reducing their rate-competition for the variety of traffic in which speed is not so essential. If the railways were not under the same necessity, as in recent years, of competing against the roads both in rates and in speed of service, some improvement in loading and operating costs might well result. That possibility, however, lies well in the future.

3. The Railways' Capital Problem

As the interest of the railway investor is primarily in the earnings cover for his securities, it is inevitable that comment on the annual results should tend to concentrate on the revenue accounts and to pass over the capital accounts as being only of formal interest. A year ago, however, we devoted two articles to an analysis of the capital problem which is already developing for the railways, and which may ultimately become pressing unless the present trend is changed. The present article carries the study a step further.

In Table III on page 450, the capital expenditure of each of the four group railways is analysed under its main heads for the years 1929, 1937 and 1938. The years 1929 and 1937 were each peak years in their cycles, while 1938 represents the situation in a depression year. The net revenue obtained from each branch is compared with the capital investment required and expressed finally as a percentage return on the capital invested. The net revenues on which this percentage is calculated are struck after maintenance and renewals, but before deduction of miscellaneous charges and, of course, before debenture interest.

From the rates of return on capital shown in the table, it is clear that, apart from the docks business, which is a consistently bad earner, the main railway investment is, on the whole, the least profitable of all. The L. and N.E. has, indeed, suffered a severe diminution in the earnings from its steamboats, which in 1929 were reasonably profitable; and the Southern Railway does not earn much on its hotel investment. But, taking the railways as a whole, the return on steamboats, hotels and land not used for railway purposes is fair or even good, and the same would be true of the younger investment in road transport shares, which is irrelevant to our present enquiry. But on the main railway investment itself, the return is not only at a much lower rate, but shows a much greater relative fall between the peaks of 1929 and 1937.

Yet, if attention is now transferred to the trend of capital investment the contrast with the trend of earnings is forcibly exposed. With a few isolated exceptions, such as the Southern Railway's investment in docks and steamers, the trend of capital investment in ancillary services has been downwards, despite the generally satisfactory rates of return. But the railway undertakings themselves have been absorbing more and more capital, a movement which is common to each of the individual groups, and which, for the four railways together, has raised the capital investment by no less than £35.7 millions since 1929. On this investment the net revenue fell between the 1929 peak and the 1937 peak from £40.3 millions to £34.4 millions, representing a return of 3½ per cent. in 1937 against 4½ per cent. in 1929. In the depression of 1938 the rate of return fell to 2½ per cent. Nor is there any sign that the investment of capital in railway assets is at an end. In the 1938 accounts the estimated further capital expenditure on projects actually in hand totals no less than £20,178,000 for the four companies, with a further £5,072,000 for projects not yet begun or in abeyance. Admittedly a large part (though very far from the whole) of the total is for the L. and N.E.'s suburban electrification under the London Passenger Transport (Agreement) Act of 1935. But that the railways are still absorbing large sums of capital, and will continue to do so, cannot be doubted.

If the new capital projects are taken individually, they can, no doubt, be shown to be very profitable. Railway chairmen from time to time give figures showing a very satisfactory rate of earnings on new investment. This insistence that new investment must be profitable is highly desirable. It may even suggest that in the long run new equipment might restore the earning power of the railways. But the immediate fact is that these satisfactory innovations have only served to check the fall in earnings. If they are ever to go to the length of raising them, a very large new investment will be required. And, as the directors are manifestly right to persevere in the modernisation

of the systems and to invest in new assets which promise a good return, it is evident that, even in the relatively short run, the improvement in railway equipment must call for a continuous stream of new capital—at least under the present statutory method of railway accounting.

The dilemma resulting from this demand for new investment at a time when the manifest trend of earnings precludes the raising of capital except in senior securities is illustrated by the overdrawn condition of the capital accounts. The following table shows the amount by which capital expended exceeded capital raised at the end of 1929 and at the end of 1938, respectively, for each of the group companies:—

	(£ millions)			
	L.M.S.	L.N.E.R.	G.W.R.	S.R.
1929	20.2	15.3	6.9	5.0
1938	29.5	23.5	16.7	12.8

A debit at capital account is not necessarily a bad thing in itself, since it may only indicate the progressive reinvestment of reserves in the concern. But no railway year since 1929 has yielded any appreciable reserves, and on balance reserves have unquestionably been depleted. Hence, the growing debits to capital account reflect only the necessity for spending more capital at a time when fresh capital cannot be raised on the market. Since the close of 1938 the Southern Railway has, indeed, raised £7½ millions nominal by a successful issue; and it would not be beyond the capacity of other railways to raise some fresh capital. But the main point is clear that, while by overburdening prior charges still further, the companies could obtain a moderate amount of further capital, there is no hope at all of healthily increasing their capitalisation so long as the present level and trend of earnings continues.

The companies have, in fact, already had to resort to special measures to meet their requirements. Of these, the device of the Railway Finance Corporation is the most obvious. But, in addition, capital has been withdrawn from non-railway investments, particularly from land; gilt-edged holdings have been reduced and surplus liquid capital in the superannuation funds has been invested, at interest, in the undertaking. The extent of this latter movement is shown in the following table, which gives the excess, or deficit, of general interest receipts over amounts paid in interest on superannuation funds, in 1929 and 1938 respectively, and the net deterioration over the period:—

	(£'000's)			
	L.M.S.	L.N.E.R.	G.W.R.	S.R.
Recd. in genl. interest less interest paid on superann. funds —				
1929	+ 74.5	-180.4	+568.0	+149.5
1938	-1,062.5	-740.6	-256.8	-70.7
Net deterioration—1929-1938	1,137.0	560.2	824.8	260.2

It should not, of course, be inferred that the security of the superannuation funds is in any way threatened—they are still protected by ample liquid cover. But it is clear that since 1929 a hidden prior charge has been created in each company, which in the case of the L.M.S. now amounts to the formidable sum of £1,137,000 a year.

In railway circles, it is heresy to suggest that the railways are overcapitalised. And in one sense they are not; for by no fair standard could the capital be called "watered." Moreover chairmen are accustomed to remind their stockholders that the railway assets could not now be replaced for the capital expenditure at which they stand. That is doubtless true. But the vital point is that on the earnings as they stand at present (even in a "good" year) the existing capital could not possibly be raised on the market. Manifestly a part of the present capital is not represented by earning assets. For a time the railways will be able to meet their requirements for capital by various special measures and by the creation of what may be called hidden prior charges. But sooner or later the problem may become acute.

TABLE I. FINANCIAL RESULTS
(Amounts in £000's)

	L.M.S.			L. & N.E.			Great Western			Southern		
	1929	1937	1938	1929	1937	1938	1929	1937	1938	1929	1937	1938
GROSS RECEIPTS												
Railway receipts	73,195	67,234	64,212	55,561	49,087	46,656	31,028	28,111	26,829	22,993	22,114	22,012
of which												
Passengers	21,764	20,379	20,545	14,257	13,153	12,812	8,522	8,509	8,469	14,479	14,661	14,699
Merchandise (ex. Classes 1-6)	21,979	18,825	17,224	15,543	12,618	11,953	8,323	7,617	7,311	3,123	2,632	2,580
Minerals and merchandise (Classes 1-6)	6,830	6,516	5,414	5,692	4,908	4,086	2,827	2,565	2,009	833	609	504
Coal, coke, etc.	14,188	13,650	13,325	14,132	13,174	12,486	6,504	5,919	5,585	1,700	1,632	1,618
Ancillary receipts	8,466	8,622	8,241	7,734	7,343	6,910	5,156	4,476	4,211	3,514	3,467	3,456
Total gross receipts	81,661	75,856	72,453	68,295	60,430	58,566	36,184	32,587	31,040	26,507	25,881	25,468
EXPENDITURE												
Railway expenditure	58,163	53,598	53,356	43,283	39,540	40,541	24,309	21,793	22,193	18,175	17,244	17,736
of which												
Maintenance of way and works	7,675	7,570	7,570	6,015	5,371	6,140	4,046	3,256	3,344	3,474	3,529	3,590
Maintenance of rolling-stock	10,289	8,882	8,806	8,939	8,444	8,550	4,116	3,435	3,626	2,917	2,528	2,572
Loco. running expenses	14,078	13,434	13,496	10,419	10,017	10,131	5,523	5,341	5,469	4,203	4,365	4,582
Traffic expenses	20,816	19,283	19,284	14,653	13,187	13,321	8,144	7,623	7,707	5,691	5,268	5,433
Ancillary expenses	8,715	8,392	8,294	7,612	7,259	6,999	4,900	4,329	4,196	2,739	2,720	2,691
Total operating expenses	66,878	61,990	61,650	50,895	46,799	47,540	29,209	26,122	26,889	20,814	19,964	20,427
Net Receipts	14,783	13,866	10,803	12,400	9,831	8,026	6,975	6,465	4,650	5,593	5,817	5,041
Net Revenue (a)	17,176	14,868	11,346	13,061	10,107	8,658	8,199	6,886	5,044	6,548	6,552	5,942
APPROPRIATION												
General and contingencies reserves				500	150			100	Dr. 100			
Interest on loans and debts	4,364	4,439	4,439	4,033	4,222	4,220	1,550	1,650	1,650	1,754	1,943	1,943
Rent charge and guaranteed stocks	1,628	1,628	1,628	2,428	2,431	2,431	1,576	1,576	1,576	466	616	616
Preference stocks	6,847	6,846	5,241	4,775	3,287	Nil	1,771	1,768	1,767	2,135	2,135	2,135
Equity stocks:—												
Earned	4,337	1,443	Nil	1,325	Nil	Nil	3,301	1,792	51b	2,193	1,858	1,248
Paid	4,284	1,428	Nil	1,271	Nil	Nil	3,220	1,717	215	2,167	1,851	1,379
Paid (%)	41 ²	11 ² (ord.)	Nil	3 (pf. ord.)	Nil	Nil	71 ² (ord.)	4 (ord.)	1 ² (ord.)	pf. 5	5	5
Carried forward	212	94	131	81	84	86	186	152	87	162	227	95

TABLE II. OPERATING TRENDS

(NOTE: Bracketed figures refer to 4 weeks ended October, 1938, only)

	L.M.S.			L. & N.E.			Great Western			Southern		
	1929	1937	1938	1929	1937	1938	1929	1937	1938	1929	1937	1938
PASSENGERS												
Nos. carried (e) (millions)	315.7	330.5	308.7	213.6	213.8	196.1	132.3	116.3	109.1	208.8	245.8	236.5
Average fare	1/2-3/4	1/1-1/5	1/2-2/2	1/1-5/5	1/0-8/4	1/1-5/0	1/3-9/2	1/4-3/0	1/5-3/2	1/1-4/5	1/11-1/8	1/11-5/4
GOODS (f)												
Merchandise	32.0	29.6	26.0	26.7	22.3	19.8	14.0	13.5	12.4	5.5	5.0	4.7
(ex. Classes 1-6)	13.8-9.8	12.8-7.8	13.3-1.5	11.7-5.6	11.3-6.5	12.0-9.6	11.10-3.6	11.3-0.7	11.8-9.8	11.4-0.5	10.5-6.6	10.11-9.6
Av. rec. per ton	2-337	1-994	2-138	2-138	1-868	(1-91)	2-160	1-821	(2-01)	2-814	2-428	(2-52)
Av. miles hauled	70-37	76-58	(78-51)	65-20	72-50	(75-91)	66-30	74-88	(75-17)	48-49	52-02	(53-32)
Mn. tons	32.6	30.8	25-2	29.9	26.9	22.3	13.0	12.2	9.3	3.9	3.0	2.3
Minerals and	4/2-25	4/2-85	4/3-51	3-9/73	3-7-85	3-7-92	4/4-30	4/2-62	4/3-63	4/3-25	4/1-39	4/3-50
Merchandise	1-027	0-973	(0-97)	1-155	0-972	(1-03)	1-150	0-926	(0-95)	1-311	1-012	(1-00)
Av. rec. per ton	48-93	52-29	(54-43)	39-58	45-12	(48-06)	45-49	54-66	(57-78)	39-09	48-82	(51-10)
Mn. tons	84-7	78-8	72-9	94-4	86-6	78-7	46-4	42-5	54-8	8-3	8-4	8-2
Coal, coke, etc.	3/4-18	3/5-59	3/7-87	2/11-94	3/0-49	3/2-09	2/4-48	2/6-64	2/7-55	4/0-87	3/10-43	3/11-35
Av. rec. per ton	1-053	1-045	(1-05)	1-071	1-066	(1-13)	0-916	0-910	(0-93)	1-359	1-320	(1-35)
Av. miles hauled	38-18	39-81	(41-59)	34-23	(34-39)	33-65	31-10	33-65	(33-93)	35-95	35-17	(36-59)
Mn. tons	149-3	139-1	124-1	151-0	135-8	120-8	81-8	72-0	64-3	17-8	16-4	15-2
All classes	5/9-10	5/7-27	5/9-55	4-8-22	4-6-24	4-8-68	4/3-79	4/5-62	4/7-66	6/4-44	5/11-22	6/2-05
Av. rec. per ton	1-466	1-341	(1-36)	1-401	1-275	(1-34)	1-325	1-203	(1-28)	1-897	1-674	(1-73)
Av. miles hauled	47-62	50-56	(52-19)	40-53	42-83	(43-63)	39-57	45-08	(45-19)	40-59	42-84	(43-86)
FREIGHT TRAIN WORKING												
Freight train load (f) (tons)	126.64	128.83	(125.41)	138.07	135.33	(131.79)	138.47	138.39	(133.86)	107.66	105.77	(99.90)
Wagon load (g) (tons)	5.38	5.40	(5.25)	5.97	5.96	(5.78)	5.90	5.87	(5.77)	4.91	5.01	(4.77)
Wagons per train (h)	33.93	34.43	(34.58)	35.23	34.97	(35.32)	35.42	34.84	(34.36)	32.57	31.89	(31.46)
Of which empty	10.50	10.75	(10.87)	12.29	12.37	(12.61)	11.70	11.05	(10.87)	10.25	10.42	(10.24)
Wagon miles per total engine hour	119-15	122-10	(130-96)	121-51	131-35	(138-11)	112-80	115-97	(116-96)	100-33	100-41	(100-42)
Shunting and "other" miles per 100 freight train miles	71-16	68-27	(65-26)	74-07	67-12	(64-72)	87-53	83-88	(83-75)	97-96	94-89	(92-44)
STEAM LOCOMOTIVE WORKING												
Train miles per train hour (Coaching)	14.13	14.26	(14.25)	13.72	14.47	(14.41)	13.43	14.09	(14.01)	15.50	15.71	(15.52)
Train miles per train hour (Freight)	8.43	8.18	(8.99)	8.21	8.85	(9.21)	8.64	9.07	(9.53)	9.34	9.28	(9.35)
Engine miles per week-day	94.60	117.42	(117.95)	100.90	104.90	(105.58)	103.90	110.45	(104.92)	117.16	120.15	(115.79)
No. of locomotives	9,797	7,657	7,613	7,378	6,576	6,518	3,871	3,632	3,630	2,044	1,814	1,816

TABLE III. RETURN ON CAPITAL EXPENDITURE

	L.M.S.			L. & N.E.			Great Western			Southern		
	1929	1937	1938	1929	1937	1938	1929	1937	1938	1929	1937	1938
RAILWAYS												
Capital expenditure (£mns.)	382.9	389.0	391.5	285.5	291.7	295.0	144.1	151.8	152.6	138.6	145.9	147.7
Net receipts (£000's)	16,025.1	13,636.4	10,856.3	12,278.5	9,546.2	6,114.8	7,141.5	6,318.0	4,636.1	4,818.0	4,869.8	4,275.7
Net receipts as % of capital expenditure	4.2	3.5	2.8	4.3	3.3	2.1	4.95	4.2	3.0	3.5	3.3	2.9
STEAMBOATS												
Capital expenditure (£mns.)	3.3	2.7	2.7	2.6	2.9	2.9	0.5	0.4	0.4	2.5	2.7	2.8
Net receipts (£000's)	208.2	304.3	206.7	131.5	49.0	Dr. 17.9	Dr. 1.2	20.0	23.5	432.2	337.5	397.7
Net receipts as % of capital expenditure	6.3	11.3	7.8	5.2	1.7	...	...	4.0	5.8	17.6	12.3	14.4
DOCKS												
Capital expenditure (£mns.)	10.3	10.2	10.3	25.0	25.0	25.0	20.9	21.0	20.9	8.1	13.8	14.0
Net receipts (£000's)	Dr. 87.9	35.2	Dr. 25.1	198.3	247.9	82.9	560.0	342.4	202.1	318.7	379.4	336.8
Net receipts as % of capital expenditure	...	0.4	...	0.8	1.0	0.3	2.7	1.6	1.0	3.9	2.7	2.4
HOTELS												
Capital expenditure (£mns.)	5.1	5.1	5.1	2.6	2.8	2.8	0.2	0.4	0.5	1.6	1.3	1.3
Net receipts (£000's)	443.0	353.8	331.8	210.9	165.8	133.1	61.5	40.6	46.9	19.1	29.1	28.2
Net receipts as % of capital expenditure	8.4	7.0	6.5	8.1	6.0	4.8	34.5	9.4	9.1	1.2	2.2	2.1
NON-RAILWAY LAND												
Capital expenditure (£mns.)	14.5	12.7	12.4	11.4	10.1	9.9	2.9	3.1	3.1	5.3	5.3	5.3
Net receipts (£000's)	884.5	771.6	794.9	547.5	504.8	514.6	191.1	218.7	215.2	413.8	468.6	469.5
Net receipts as % of capital expenditure	6.1	6.1	6.4	4.8	5.0	5.2	6.5	7.1	6.9	7.7	8.9	8.9

(a) Including net receipts from joint lines and net miscellaneous receipts. (b) Before crediting £100,000 from contingency fund. (c) No payment on 4 per cent. preference stock, 1933. (d) Full payments on 4 per cent. first preference and 5 per cent. redeemable preference stocks, and

price of tin well over £200 per ton by rationing supplies. Between the middle of 1935 and the beginning of 1938 the policy of the Committee was more moderate; but since then it has again pursued a policy of raising prices. By the formation, on July 1, 1938—when the price was £188.1—of a "buffer pool" (i.e. a pool of tin to which the participants contribute but which is under the influence of the Committee), with the avowed aim of raising the price to, and keeping it within, the range of £200 and £230 per ton, the industry's policy was officially changed from one of supply regulation to price fixing. As the buffer pool agreement is to remain in force during the remainder of the third agreement, which expires at the end of 1941, the defence of a high price level is apparently to remain the basis of official policy.

The maintenance of prices at a level at which they are above the average costs of production of efficient concerns has led to significant changes in the industry's structure. On the mining side, this policy has stimulated the development of tin deposits in "outside" countries. The present "outsiders," who supplied 13,967 tons in 1931, had raised their output to about 28,000 tons last year. China and Burma, the two biggest "outsiders," have doubled their production, while other countries, such as Argentina and Peru, have entered the list of producers since the inception of control. Production has also been stimulated in the Belgian Congo and French Indo-China, which joined the scheme at a later stage, and only at the price of being allotted quotas which bear no relationship to their proportion of world production in 1931.

Moreover, the proportion of the world's tin ore output smelted within the British Empire (the Straits Settlements, England and Australia) declined from 85 per cent. in 1929 to less than 66 per cent. in 1937. As a result of the growth of production in the Belgian Congo, Belgium has become an important smelting centre, and since 1934 the whole of the ore output of the Dutch East Indies has been smelted within the Dutch Empire. This tendency is likely to continue, for there are plans on foot to erect smelters in Bolivia, and in Siam (by Japanese interests). A proposal was made to set up a refinery in the United States to be fed by Bolivian and Chinese ore; but since, as part of the Anglo-American Trade Agreement, tin remains on the free list of the United States, the project is unlikely to be carried out in the near future.

Apart from the changes in the geographical distribution of mining and smelting, tin control has altered the channels through which the consumer obtains his supplies. The

turnover of the London Metal Exchange during the official morning dealings fell from 152,800 tons in 1931 to 66,700 tons in 1938. The difficulty of dealers in obtaining adequate supplies at all times through the operation of restriction and pools naturally impaired the services that the Exchange can render to the consumers of tin. At times the official tin pool has even supplied consumers in the United States directly in order to forestall criticism of a shortage of supplies in that country; this has had the effect of reducing the influence of the London Metal Exchange on tin prices.

So far as consumption is concerned, the high-price policy has encouraged the development of substitutes, though there is as yet no immediate danger that the position of tin will be seriously challenged by other materials. Moreover, the stringency of supplies has made it frequently impossible for consumers to obtain the grade of tin to which they have been accustomed, to the detriment mainly of Straits tin, whose popularity has declined considerably since 1933.

On the whole, the regulation of tin supplies would appear to have been to the doubtful advantage of the British Empire, whose proportion of the world's mining and smelting production has declined owing to the stimulus given by the high-price policy to the development of tin deposits in other countries. Nor has the international control of tin supplies had much more success in its aim of evening out fluctuations in production and prices. These have been as marked as ever, especially in the past three years.

When the third control agreement was reached in 1936, it was greeted with sincere good wishes for its success from many quarters, including those who had been the severest critics of the first scheme. Excessive fluctuations in the price of tin benefit nobody, and if a method could be found of ensuring an even flow of the metal from the producer to the consumer at a price fair to both, no doctrinaire attachment to "the free market" should in these days be allowed to stand in its way. For the reasons that have been given, tin should be one of the easiest commodities to provide with a control scheme of this sort. But two years' experience of the third scheme seems to suggest both that there are very great inherent difficulties in the way of such an undertaking and also that a control committee representative of producers—whether of the actual companies or of the Governments of producing countries—finds it difficult to resist the temptation to raise prices. Convincing proof of the benefits, to the general interest, of such control schemes has yet to be adduced.

Finance and Banking

The Currency Act in Force.—The new Currency and Bank Notes Bill, 1939, duly received the Royal Assent on Tuesday, and this week's Bank return shows the changes which it has entailed. It concerns the Issue Department of the Bank of England, and the relevant section of the past two week's returns are summarised below:—

	ISSUE DEPARTMENT	
	Feb. 22, 1939 £	March 1, 1939 £
Notes Issued—		
In Circulation	472,734,976	478,448,520
In Banking Dept.	53,679,381	47,965,955
Total	526,414,357	526,414,475
Fiduciary Issue	400,000,000	300,000,000
Gold	126,414,357	226,414,475

"*Parturiunt montes . . .*," a cynic might say, for the net result is to increase the note issue by £118. Actually this microscopic change shows that, as had been

anticipated, the authorities have decided to leave the note issue at its present level. The fiduciary issue has been reduced to £300 millions, and any outstanding depreciation of the securities in the Issue Department, which according to the Chancellor amounted in early February to £9 millions, will already have been made good by the Exchange Equalisation Account under the terms of the new Act. We are glad to see that the weekly return gives the basis on which the Issue Department's gold is valued. This week it is 148s. 5d. per fine ounce, or the same as Wednesday's London market price. Actually the writing-up of £126.4 millions of gold from 84s. 11½d. to 148s. 5d. per ounce would have given the Issue Department only £220.9 millions. To maintain the note issue at its former level, and in consequence to prevent a sudden contraction in the Reserve, the Bank of England bought on Wednesday £5,567,000 of gold from the Exchange Equalisation Account. This gold, of course, had to be paid for, as it is not an off-set against a fluctuation in the value of the Bank's gold. And so the change has come into effect with the usual smoothness of the British monetary system.

More Treasury Bills?—There are at last signs that the extreme dearth of Treasury bills is coming to an end. Last week tender allotments were raised from £20 to £30 millions, making the week's contraction in the tender issue only £5 millions instead of £15 millions. The syndicate promptly heralded this increase by dropping the price from £99 17s. 6d. to £99 17s. 5d. per cent., and succeeded in raising its allotment from 15 to 30 per cent. This week, the offer is £40 millions, and if all the bills are allotted, there will be an increase of £5 millions in the tender issue, this being the first increase since November 18th. Assuming that the current week's tender issue of £346 millions represents the nadir, the decrease since November 18th is £176 millions, while the decrease since March 5th, 1938, was also £176 millions; for the tender issue stood at £522 millions on both dates. The influx of revenue always begins to slacken during the closing month of the financial year, but the chief cause of this check to the contraction in the supply of Treasury bills lies in the steady issue of funds from the Exchequer under the Defence Loans Act. Between November 26th, when it first began, and February 25th, the total issue for defence borrowing amounts to £63.3 millions, and it has lately equalled between £5 and £8 millions a week. The issue of this money naturally mitigates the reduction in the floating debt, and as the revenue deficit is now only £46.9 millions, while there is another £70 millions of defence borrowing due, according to the Chancellor's estimate, to come by March 31st, it looks as if for the rest of the financial year issues under the Defence Loans Act will more than outweigh the excess of revenue over expenditure. If so, a net increase in the floating debt and also in the supply of Treasury bills may be expected.

Bank of England Recognises General Franco.—Simultaneously with its recognition by H.M. Government on Monday, General Franco's Government was also recognised by the Bank of England. The recognition assumed the shape of altering the quotation of the peseta for the purposes of the Anglo-Spanish clearing. Until Monday the rate of 117 was quoted, which was the official rate for Republican pesetas. From the time of the announcement of the recognition, the rate was altered to 42.45, which is the official rate for Nationalist pesetas. Needless to say, the rate is of little significance, since the Anglo-Spanish clearing ceased to operate towards the end of 1936. Nevertheless, belated payments for goods imported from Spain before the suspension of the clearing continue to come in, judging by the fact that since the suspension the amount of sterling accumulated by the Clearing Office increased by several hundreds of thousands of pounds, and now stands at about £1,750,000. From the point of view of the importers who have to make such belated payments, the change in the rate is anything but welcome, especially as it is most unlikely that the Nationalist Government will maintain the peseta around 42. Indeed, the rate of 52, which was formerly in force for "family" transfers from London to Spain, has now come to be regarded as being practically the official rate for all transfers to Spain. As for transfers from Spain, permits are only granted on the basis of the rate of 70. The "black" rate is 95 to 100, while Nationalist notes are dealt in around 115–117. There is much talk about the possibility of fixing the peseta rate at 100; this at any rate is the advice given to General Franco by Spanish banking and business interests by whom any effort to maintain the peseta around its present official level would be considered a fatal mistake. On the other hand, pressure is brought to bear upon the Nationalist Government from Berlin and Rome to maintain the peseta at its over-valued level, in accordance with true Fascist-Nazi traditions. The decision regarding the peseta will be one of the indications showing whether General Franco has been able to emancipate himself from Italo-German tutelage.

Rationing Gold.—For rather more than a week past it has been the regular experience of buyers of gold at the daily fixing to find themselves rationed, their requirements—at the price fixed—being only partially satisfied by the authorities. The offers of gold from resales arising from maturing forward contracts have been dwindling steadily while the fresh hoarding demand for gold has been of very small dimensions. Consequently the true interplay of demand and supply has been determined by arbitrageurs on the one hand and the Exchange Equalisation Account on the other. Under such conditions those in charge of the Exchange Account have apparently decided that their end is better served by rationing the market than by adjusting demand to the dimensions they desire by varying the price. Day by day sterling exchange appears to be still in need of moderate support by way of sales of dollars arising out of gold arbitrage business with New York. The Exchange Equalisation Account having decided each day what measure of support it has to give to sterling via sales of gold in the open market, has found that the most effective means of assuring that this amount is in fact sold is to make it available at the figure at which arbitrage buyers are attracted and if the total arbitrage demand is for more than this amount, to ration the buyers. The advantage of this procedure is that it exactly adjusts the arbitrage sales of dollars to the proportions desired by the authorities. As an instance of the continuously developing technique of the Exchange Equalisation Account this new procedure of gold rationing is therefore of exceptional interest.

Hongkong and Shanghai Banking Corporation.—In view of the difficult situation in the Far East, it is not surprising that Mr Pearce had to use very guarded language in his speech at the annual meeting of the bank held in Hongkong last Saturday. Exchange bankers, he said, had had to cope with a difficult and tense situation during the first nine months of last year. The black market at Shanghai had eventually become the normal open exchange market, but by the end of the year the flight from the currency had ceased and there had been a fair amount of repatriation. Partly through good fortune, but more through skilful management, China's financial situation had been kept well in hand, and no public default had yet taken place. The accounts of the bank for December 31, 1938, reveal an expansion of \$10.3 millions in the excess note issue and one of \$23.8 millions in current accounts, but fixed deposits are reduced by \$11.9 millions. The liquidity of the bank is very well maintained, for cash is \$42.2 millions higher and investments \$29.8 millions higher. The difficulties of commerce under present conditions are illustrated by the decreases of \$13.3 millions in discounts and advances and \$45.7 millions in bills receivable, though these movements, of course, may be partly fortuitous. Nevertheless, net profits have been maintained at \$15.3 millions, or at practically the same level as in 1937, and the 1937 dividend of £5 10s. per share is repeated.

The Royal Bank of Canada.—In his address to the shareholders of the Royal Bank, Mr Morris W. Wilson, the chairman, gave an encouraging account of Canadian business prospects. Canada had largely escaped the 1938 setback experienced in the United States, and the chief problems today were the low prices of many commodities, and the fact that this year's world wheat crop

A REASONABLE PRECAUTION

is for every responsible citizen to protect his dependants by securing Life Assurance now. Obtain advice on a suitable Policy from the

NATIONAL PROVIDENT INSTITUTION

for
MUTUAL LIFE ASSURANCE

ESTABLISHED 1835

48 Gracechurch Street, London, E.C.3

is the largest on record. In spite of attempts by various Governments to mitigate the situation, Mr Wilson declared that satisfactory returns from wheat production cannot be expected so long as supplies exceed world requirements. Mr Wilson welcomed the Anglo-American and Canadian-American Trade Agreements. In spite of scepticism felt by individual interests there was no doubt in his view that they would bring about an important expansion in the trade of both Canada and the United States, Mr S. G. Dobson, the general manager, discussed questions of more purely banking interests. He rebutted the criticism that the banks invested too large a portion of their funds in Government bonds and too little in assisting business enterprises. The bank's securities

yielded a return of only 2 per cent., and this by itself was proof that the banks would prefer, if possible, to increase their commercial loans, which were more remunerative. The real difficulty was that the bank could not compel unwilling borrowers to use its surplus funds, nor could a prudent banker take unwarranted risks. Mr Dobson also emphasised that the total volume of available credit was determined not by the chartered banks, but by the Bank of Canada. These remarks made it clear that Canada is experiencing the same banking conditions as have existed in Great Britain during recent years, but apparently Mr Dobson felt the need of bringing this home to the Canadian public. If so, he should certainly have succeeded in his object.

MONEY MARKET NOTES

Foreign Exchanges

MOST of the activity in the foreign exchange market has centred on belgas and guilders. Belgas have remained under the shadow of the prolonged Ministerial crisis, the spot rate, after slumping to gold export point in relation to the dollar, has remained at this level during the greater part of the week, and has only been prevented from depreciating beyond it by some intervention on the part of the Belgian control. The forward belga has depreciated under the influence of speculative attacks, and at one time on Tuesday the three months' quotation was at 70 centimes discount. Some bear covering and purchases of forward belgas by Belgian banks, attracted by the generous yield on the swap, have caused the three months' discount to narrow to 40 centimes. The guilder has moved within fairly wide limits, and after depreciating to 8.85 at the beginning of the week has recovered to 8.82½. The Dutch control appears to be leaving the rate very much to its own devices. The dollar, after moving against sterling to 4.69½ at the beginning of the week, has been rallying, and on Thursday was hovering around 4.68½. The movement of capital out of belgas and guilders was instrumental in helping sterling against dollars during the first part of the week, as part of the conversion of the Continental currencies into sterling was effected indirectly through the dollar. The recovery of the rupee has made further headway, and during the week the Reserve Bank was again able to purchase sterling by tender, the figure being raised from 1s. 5½d. to 1s. 5¾d. Last week's tenders were the first at which the Reserve Bank had been able to obtain sterling since last April, when the collapse from the pegged rate of 1s. 6½d. may be said to have begun.

The Bank Return

THE changes in the Bank return due to the passage of the Currency and Bank Notes Act, 1939, are dealt with in a Finance Note on page 452. As these changes leave the total of notes outstanding unchanged (apart from a reduction of £118, as against the total of £526,414,475), they have no direct effect on the figures in the Banking department. The latter, however, show some important movements, notably a

reduction of £11,179,000 in discounts and advances, of which about £10,000,000 is accounted for by the repayment of the Bank's Czech credits. In order to neutralise this movement and an increase (wholly seasonal) of £5,713,000 in the active note circulation Government securities have been increased by no less than £20,105,000. Part of the increase in Government securities must also be attributed to

Issue Dept.	Mar. 2, 1938	Feb. 15, 1939	Feb. 22, 1939	Mar. 1, 1939
Gold	326.4	126.4	126.4	226.4
Notes in circulation	474.5	473.2	472.7	475.0
Banking Dept.:				
Reserve	52.6	54.2	54.7	52.3
Public Depts.	16.7	12.5	16.3	15.3
Bankers' Depts.	105.6	110.5	103.1	103.9
Other Depts.	35.5	35.5	35.1	35.5
Govt. Secs.	97.4	82.5	78.9	77.6
Discounts & Advances	6.5	18.1	17.5	20.6
Other Secs.	19.5	21.9	21.6	22.4
Proportion	29.9%	34.1%	35.3%	30.8%

Ways and Means borrowing in connection with the March dividend payments. The various changes, together with a movement of funds from public deposits—amounting to £4,704,000—accounts for the rise of £7,226,000 in bankers' deposits. The transfer from public to bankers' accounts is due to the payments of dividend monies on March 1, the day on which the return was made up.

The Money Market

SUPPLIES of credit remain abundant. The tendency towards greater scarcity of bond money apparent last week has completely disappeared, and such accommodation has been readily available from outside lenders at ¾ to ¾ per cent. Bill money is in superabundant supply, the dearth of bills and the generous volume of bank cash combining to create conditions of plethora in this market. At last Friday's Treasury bill tender the syndicate reduced its price from £99 17s. 6d. to £99 17s. 5d. owing to the change in the scale, the new bills being of 92 days' currency. Thus the average rate of discount worked out at 10s. 1.33d., as compared with 10s. 0.64d. per cent. the previous week. The syndicate obtained 30 per cent. of its application, as against 15 per cent. the previous week, mainly as the result of the increase in the amount of bills offered and allotted from £20 millions to £30 millions. The most important part of the Treasury bill announcement made

last Friday was the news that the bills to be issued this week would be raised to £40 millions. This compares with

	Mar. 3, 1938	Feb. 23, 1939	Mar. 2, 1939
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
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-17½	1½-17½	1½-17½

* 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.

next week's maturities of £35 millions. The market is expected to take the opportunity of the larger amounts of bills offered to increase its percentage allotments rather than to work up the average rate of discount. This is almost certain to be the case as the tenders held this month, since they will be for the popular June maturities. The banks have continued their quest for bills, and during the latter part of this week report a slightly greater readiness to sell by the market. There is again evidence of a shortage of remitted bills, and some of the Far Eastern banks which normally sell appreciable quantities of bills for forward delivery are finding some difficulty in complying with their contracts. Where they cannot do so from bills remitted to them, they are forced to obtain bills in the open market—of course, making a loss on the transaction.

The Bullion Market

THE gold market continues moderately active. As reselling from maturing for-

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in	Cash	Two Mths.
1939					
Feb. 24	s. d.	d.	£'000	d.	d.
24	148 3½	1 pm.	456	201½	191½
25	148 2½	1½ pm.	609	201½	191½
27	148 2	1 pm.	478	202½	152½
28	148 3	1 pm.	684	203½	191½
Mar. 1	148 5	1½ pm.	741	207½	191½
2	148 3½	1 pm.	560	207½	191½

* 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 48 cents per ounce .999 fine during the week.

ward contracts is rapidly dwindling, the Exchange Account has had to

supply the arbitrage demand, which, however, has been rationed day by day (see above Note). Towards the end of the week arbitrageurs were being outbid at the fixing by hoarders of gold, whose interest in the market is reviving. This renewed hoarding demand is in part connected with recent currency weakness in Belgium and Holland, and on Wednesday it caused the premium over the dollar shipping parity included in the sterling price of gold to

rise to 1½d. The continuation of arbitrage business with New York is evident in the fact that during the seven days to noon on Thursday of this week £5,911,000 of gold left this country for this destination. Part of these shipments may, however, represent the export of Belgian gold arranged by official quarters and representing the counterpart of official supporting operations for the belga.

The spot position in silver has been

made somewhat easier by selling for near delivery on American account. The cash price thus declined to 20½d. on Monday, and the margin between cash and forward narrowed to ½d. Subsequently there was a recovery to 20½d. in the cash price, while the discount on forward has widened again to ½d. The market remains extremely quiet. There has been a little demand from Indian bazaars which has been wholly concentrated on the forward market.

INSURANCE NOTES

The National Mutual Life Assurance Society.—This Society is one of the very few offices which adopts the "bonus reserve" method of valuing liabilities; it is unique in taking its Stock Exchange securities at market prices. The published results as at December 31 last are of special interest, as they marked the close of another valuation biennium. Formerly, it was the practice of the Society to retain all unallocated surplus in the life assurance fund, but in recent years part of this surplus has been transferred from the life assurance fund to specific reserve funds. In the following table for the sake of clarity these special reserves have been incorporated in the carry-forward. The basis used in valuing liabilities at the close of 1936 was very stringent; on this occasion the rate of interest assumed for assurances has been increased from 3½ per cent. to 3¾ per cent. and for annuities from 3 per cent. to 3½ per cent. The new basis is still strong and more stringent than that employed in 1934 or earlier valuations. The amount of the reduction in the actuarial reserves brought out by the change in the basis is not given, but is stated to be within the sum transferred in the 1938 revenue account to reserve fund (£345,266). As the cost of the bonus is "well within the trading profits earned in the valuation period" the reduction is taken at the arbitrary figure of £300,000 in the following table:—

	1935-36	1937-38
Trading profits	321,470	330,643(say)
Investment profit	513,646	—886,500
Brought forward	1,028,947	1,222,600
	1,864,063	666,743
Bonuses to policyholders	330,334	286,659
Staff profit-sharing scheme	3,500	2,500
Strengthening valuation basis	293,900	—300,000(say)
Staff pension reserve	13,729	—
Carry-forward	1,222,600	677,584
	1,864,063	666,743

The same normal rates of bonus as have been distributed in each of the preceding six years have again been declared: 42s. 6d. per cent. per annum for whole life full profit policies, 37s. 6d. per cent. per annum for endowment assurance with full profit policies and 15s. per cent. per annum for low premium participating policies; these rates are calculated on the sum assured and existing bonuses. In view of the present obscure financial outlook it has been decided not to repeat the additional "prosperity" bonuses given on the last two occasions. The total rates in 1934 and 1936 were, we believe, on a scale unequalled by any other office, and the normal rates now declared must be regarded as very satisfactory. New life

assurances in 1938 reached a new high level for the Society of £1,082,000, compared with £1,038,000 in 1937. The net rate of interest on the insurance funds at £4 3s. 6d. per cent. was 1s. 5d. per cent. in excess of the corresponding rate in 1937. The depreciation in securities in 1938 of £245,266 is equal to 3.2 per cent. of the mean assets of the year. Last year we drew attention to the apparent change in investment policy, and this trend continued in 1938. Loans increased from £875,000 to £1,048,000, but British Government securities, after an increase in 1937 from £1,019,000 to £1,088,000, fell sharply to £766,000. Foreign government securities appear at the insignificant total of £13,000, compared with £77,000 a year ago. Debenture stocks showed an increase of £20,000 to £1,808,000, but preference stocks further declined from £1,473,000 to £1,136,000. Ordinary stocks now stand at £1,066,000, representing 14.1 per cent. of the assets at the close of the year, compared with 14.3 per cent. and 20.0 per cent. in the previous two years. The position of the Society, even after the heavy depreciation of the last two years, which has no doubt been shared by the majority of offices, remains strong; it will be seen that there are free reserves aggregating £678,000, which is equivalent to rather more than 10 per cent. of the actuarial reserves including the cost of the bonuses now declared.

The Scottish Widows' Fund.—The 1938 report is of special interest as giving the results of the quinquennial valuation of liabilities as at December 31st last. Five years ago the O^m and O^m(5) tables were used for assurances, but on this occasion a change has been made to the A¹⁹²⁴⁻²⁹ table using "select" net premiums. For annuities the a^(m) and a^(f) tables have again been employed. Interest has been taken at 2½ per cent., except that for both existing bonuses and in arriving at the cost of the bonuses now declared 2½ per cent. has been used. It is stated somewhat cryptically that the total reserves "are not less than those which would have been held had no change been made in the basis of valuation." In the table which follows it has been assumed that the two bases bring out identical reserves. £500,000 has been set aside out of realised profits on investments as a general reserve fund. Apart from this reserve aggregate book values are stated to be considerably smaller than lowest market prices less accrued interest on December 31st last. The same high rate of bonus as on

each of the two preceding quinquenniums is declared, namely 42s. per cent. per annum calculated on the sum assured and existing bonuses; on this occasion, however, interim bonus is fixed, subject to review from time to time, at 38s. per cent. calculated on the sum assured and bonuses. Bonus declarations of this famous Society are always awaited with special interest and the reduction in the interim rate of

	1929-33	1934-38
Trading surplus	3,791,388	4,067,497
Capital profits	—	500,000
Brought forward	81,247	162,936
	3,872,635	4,730,433
Allocations:—		
To bonuses to policyholders	3,709,699	4,063,479
" general reserve	—	500,000
" carried forward to next valuation	162,936	166,954
	3,872,635	4,730,433

bonus is generally regarded as a pointer in the direction of some reduction in future bonus rates from the high level of the past fifteen years. New sums assured were £5,241,000 against the previous record of £5,048,000 attained in 1937. The net rate of interest on the assurance and annuity funds fell by 3s. 4d. per cent. to £4 1s. 6d. per cent. Total assets increased from £34,894,000 to £35,808,000. Loans showed further large expansion from £4,981,000 to £5,576,000, but British Government securities decreased by £97,000 to £7,292,000. Colonial and foreign government securities also declined from £2,279,000 to £1,951,000. Debentures increased by £179,000 to £7,628,000, while preference and ordinary shares increased by £359,000 and £97,000 to £5,947,000 and £4,476,000 respectively.

Pearl Assurance Company.—In the ordinary branch new sums assured fell from £8,664,000 to £8,231,000 and total premiums from £5,301,000 to £5,257,000. Death claims declined by £44,000 to £775,000 and the net rate of interest was 3s. 11d. per cent. smaller at £4 1s. 9d. per cent. The expense ratio in this branch fell further from the very moderate figure of 11.1 per cent. of the premium income to 10.9 per cent. In the industrial branch new sums assured amounted to £20,491,000, compared with £21,059,000 in 1937, but, more important, premiums increased from £8,779,000 to £9,116,000; the net rate of interest fell by 3s. 5d. per cent. to £4 7s. 7d. per cent. A year ago we mentioned that the expense ratio, which had been falling steadily for years, had reached a new low level at 29.4 per cent.

(Continued at foot of next page)

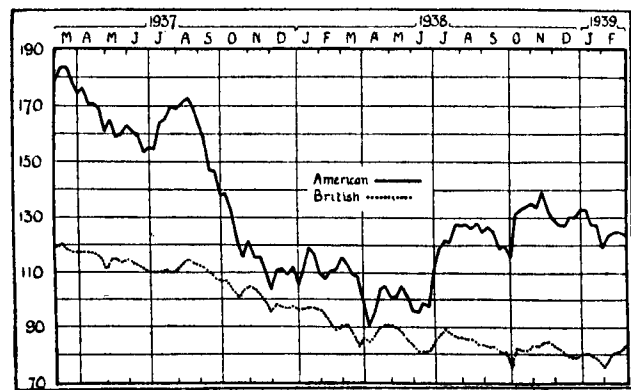
Investment

Markets Make Progress.—The investor, surveying the market's progress during February and its success this week in breaking through the post-Munich "high," may be pardoned for feeling that real recovery is not far round the corner. A month of comparative freedom from political alarms has succeeded Herr Hitler's unostentatious speech at the end of January. There are signs, small but possibly significant, that the tempo of business is

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.



improving. But, above all, the market has welcomed the Government's decision to borrow £350 millions for defence in the coming year—with its consequent implication that no significant changes either in direct or indirect taxation are in prospect this year. In terms of prices, the market in equity stocks has made the most of this news. The technical position favoured a smart recovery, and it has occurred.

But, so far, the volume and character of business does not suggest that the recovery has attracted a wide public following. Good support has been forthcoming from semi-professional investors in close touch with London brokers. But the attention of the smaller provincial investor—whose business, in sum, can take the London market from prosperity into boom—has yet to be secured. Few brokers, of course, would describe to-day's condition as prosperous, though it is satisfactory compared with the past few months. The volume of inquiry has increased, and yield differentials are once again under examination, but there is, as yet, no widespread disposition to discount the expansionary implications of defence borrowing, nor to anticipate a striking economic improvement in the near future. Again, the fact that stock has usually been in short supply has tended to give greater emphasis to the rise in prices. All these reservations call for the consideration of the investor, and no one would pretend that the markets have recovered full health. But they are at least making a satisfactory convalescence. London, in fact, has established a lead over Wall Street, which still remains dubious about the prospects of industrial recovery this year and seems uneasy when leaders in the Administration, having expressed themselves vigorously on world affairs, turn to woo "Big Business" at home.

Sharepushing Bill in the Lords.—Even the protagonists of the Prevention of Fraud (Investments) Bill would not pretend that it is a masterpiece of lucid drafting, and as it emerged from its third reading in the House of Commons anomalies remained in plenty. Lord Wardington, in the debate on the second reading in the House of Lords this week, performed a valuable service by exposing the wide powers of administrative rule which would be given under Clause 14 (3) in its present form. These would enable the Board of Trade, in effect, to "write in" new

are those effected prior to January 1, 1932. These various rates repeat the declarations of 1937. Total premium income in the other branches was slightly smaller, and the results are summarised below:—

Department	Premium Income	Underwriting Profit
Fire	1,062,869	40,820
Employers' liability	32,948	6,270
Accident	85,643	30,090
General	243,076	7,293
Motor	237,360	25,071
	1,661,896	22,238

Total assets increased from £102,486,000 to £107,141,000. Total loans increased from £6,272,000 to £6,393,000, a fall of £292,000 in policy loans being more than offset by an increase in loans on public rates. British Government securities are nearly £500,000 smaller at £33,637,000 and British municipal securities increased from £5,701,000 to £5,847,000. Foreign and Colonial government securities were some 10 per cent. higher at £13,803,000. Debenture, preference and ordinary stocks all showed considerable expansion, aggregating £3,130,000 to £36,650,000. The increase in the last few years in ordinary stock holdings is noteworthy. These holdings amounted to 5.7 per cent. of assets totalling £85 millions at the end of 1934 and the corresponding figures for the succeeding years are 7.7 per cent., 9.8 per cent., 12.2 per cent. and 12.6 per cent., respectively. Common

contingency fund is increased by £100,000 to £400,000 and the investment reserve funds amount, as in 1937, to £6,250,000, apart from the allocation of £100,000 shown above from the industrial branch out of last year's surplus. The rate of dividend is 5½ per cent. free of tax, together with a bonus of 2½ per cent. free of tax (same).

The Scottish Temperance and General Assurance Company, Ltd.

—New sums assured last year amounted to £1,575,000 against £1,604,000, but annuity consideration moneys rose from an insignificant £5,000 to £102,000. Death claims were slightly reduced at £244,000, while cash surrenders of policies and bonuses in the first year of the new valuation quinquennium amounted to £99,000, compared with £44,000 in 1937. The net rate of interest fell from £4 1s. 5d. per cent. to £3 19s. 6d. per cent. and total assets increased from £8,544,000 to £8,825,000. Loans fell by £17,000 to £1,955,000, British Government securities increased from £592,000 to £611,000 and Indian, Colonial and foreign government securities amount to £397,000 against £376,000. Debenture, preference and ordinary stocks increased from £1,723,000, £1,658,000 and £687,000 to £1,759,000, £1,761,000 and £725,000, respectively.

(Continued from page 455)

of the premium income; last year there was a further substantial reduction to 28.3 per cent. The results brought out in the usual annual valuation of the two life branches are given below, together with the corresponding figures for 1937. The bases of valuation were substantially the same in each year.

	1937	1938
Ordinary Branch		
Surplus earned during year ...	£1,171,009	£1,191,195
Brought forward from previous year	253,130	280,292
	1,424,139	1,471,487
To policyholders' bonus	885,406	914,254
shareholders' account	215,000	218,250
staff pension fund	43,441	43,991
carry-forward to next year	280,292	294,992
	1,424,139	1,471,487
Industrial Branch		
Surplus earned during year ...	£1,610,387	£1,759,195
Brought forward from previous year	661,349	690,221
	2,271,736	2,449,416
To policyholders' bonus	785,640	812,212
shareholders' account	650,000	650,000
investment reserve fund	145,875	169,112
staff pension fund	690,221	718,092
carry-forward to next year	2,271,736	2,449,416

The rate of bonus declared in the ordinary branch is 2 per cent. of the sum assured; in the industrial branch the rates are 16s. and 12s. for each weekly premium of 1s. in the whole life and endowment assurance classes, respectively, and the policies participating

provisions or strike out existing provisions in unit trust deeds and would thus impose new responsibilities on unit trust managers and trustees by the widest administrative prescription. Indeed, they raised the possibility that the entire basis of contract between managers and trustees might be upset. The startling wideness of this clause (which appears to have escaped the general notice of the unit trust movement for some time) is in contrast to the simple, if not naive, basis on which unit trusts were originally excluded from the scope of the Bill. As first drafted, it provided merely for exemption of "approved" trustees and managers, taking as the basis of approval the standards suggested by the Anderson Committee, which carefully avoided any suggestion that trustees were responsible in any way for the investment policies pursued by the managers. But if this form of exemption was too loose, it is certain that control under the revised version might have become an impossible millstone on the necks of unit trust managers and trustees. In reply, the Lord Chancellor (who confessed that the clause must "give a pain to any good lawyer") promised an amendment. Whether this will have any bearing on the debated question of the trustee's responsibilities *vis-à-vis* the unit holder remains to be seen.

Foreign Bonds Recover.—After a series of falls lasting six months, foreign bond prices in February showed a welcome recovery. The index of 106 bond prices computed by Municipal and General Securities (January-June, 1934=100) rose from the revised figure of 58.3 for January to 60.1. European issues, which had been most severely depressed in the previous month, made an excellent recovery of 6 points to 75.1. Details of the index in recent months are given below:—

AVERAGE JANUARY-JUNE, 1934=100

End of Month	Europe	Near & Far East	Egypt	South and Central America			Complete Index	Under-allocated Bonds	De-allocated Bonds	
				States	Provinces	Total				
1938	(28)	(31)	(4)	(35)	(11)	(46)	(109)	(54)	(55)	
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	
June.....	(27)	89.0	68.5	98.0	65.9	51.2	62.0	(108)	(48)	(60)
	89.0	68.5	98.0	65.9	51.2	62.0	71.1	76.5	67.0	
September	(26)	66.2	96.1	57.7	44.4	54.2	(107)	(47)	61.7	
November	88.5	65.0	91.7	56.3	40.9	52.1	64.1	72.3	59.0	
December	85.0	65.0	91.7	56.3	40.9	52.1	63.9	70.7	59.0	
	78.1	64.2	87.0	53.7	40.7	50.2	61.3	68.7	56.0	
1939	(25)	57.7	83.2	56.2	40.2	51.9	(106)	(46)	53.8	
January...	69.1	59.1	82.0	55.8	42.9	52.4	58.3	64.7	54.9	
February...	75.1	59.1	82.0	55.8	42.9	52.4	60.1	67.5	54.9	

N.B.—Figures in brackets denote number of bonds included.
† Revised figures, to allow for repayment of Belgian 3 per cent. Sterling Loan, 1914.

In general, February's revival must be attributed to improved market sentiment rather than special causes. The European index, however, was assisted by the increased offer on the Roumanian Monopolies Institute 7 per cent. sterling bonds. Japanese bonds rose substantially, but Chinese only slightly. A further deterioration occurred in Egyptian bonds. This week the Council of Foreign Bondholders have re-emphasised their inability to recommend for acceptance the Greek Government's present offer of 40 per cent., but they state that bondholders should feel free to encash their coupons at this rate if they so desire. An appreciable number of bondholders have already adopted this course, with the result that their bonds are bad delivery, and dealers have recently petitioned the Stock Exchange Committee for the restoration of bonds with partly-paid coupons to the lists. Hence the Council's statement may have the consequence that the Committee may reach a decision to re-open dealings in such bonds.

Idle Capital Market.—New issue activity was again subnormal in February; only four public offers were made. Particulars of new capital raised in recent months, on our "old" and "new" basis, follow in the next column.

(000's omitted) excluding conversions

	Old Basis					New Basis				
	U.K. Govt.	U.K. Other	Brit. Emp.	For- eign	Total	U.K. Govt.	U.K. Other	Brit. Emp.	For- eign	Total
Monthly av. 1938 ...	£ 6,325	£ 6,424	£ 2,025	£ 235	£ 15,009	£ 6,325	£ 14,146	£ 1,761	£ 528	£ 22,760
Dec., 1937	Dr.350	9,806	2,744	4,850	17,050	Dr.350	12,855	2,744	4,850	20,099
Jan., 1938	200	4,197	Nil	Nil	4,397	200	10,547	1,320	30	12,097
Feb., 1938	150	12,001	4,095	Nil	16,246	150	13,900	5,422	Nil	19,472
Dec., 1938	Dr.200	8,012	1,181	8,99	Dr.200	19,313	1,180	3,155	23,448	
Jan., 1939	250	8,740	3,11	Nil	12,10	250	12,410	3,426	Nil	16,086
Feb., 1939	Dr.250	5,519	35	Nil	5,6	Dr.250	6,165	3,850	Nil	9,765

The bulk of the new financing was in fixed interest securities. The John Summers debenture issue involved £2,000,000 nominal, and the Essex issue, later in the month, £1,000,000. The "new basis" total of £9,765,000 (covering Stock Exchange introductions and issues accorded permission to deal) includes £3,530,000 in respect of the Ashanti Goldfields bonus.

Gallaher Progress.—The profits of Gallaher, Ltd., seem to be immune from the effects of the trade cycle, for they have shown a continuous rise since the company became public in 1928. The rate of progress has naturally varied, and the company's scale has been expanded by successive ordinary share issues for cash. But these points do not detract from the company's satisfactory record of expansion which for the past three years is shown below:—

	YEARS ENDED DECEMBER 31ST		
	1936	1937	1938
Profit	£567,282	£659,089	£738,580
Taxation	130,000	185,000	230,000
Expenses and fees	38,171	43,230	47,469
Preference dividend	49,562	48,750	47,125
Ordinary Shares—			
Earned	349,549	382,109	413,986
Paid	223,930	266,805	283,702
Earned %	39.0	39.4	40.1
Paid %	25	27½	27½
Contingencies	50,000	50,000	30,000
Reserve account	75,000	55,387	92,867
Carry forward	171,219	181,136	188,552

Profits last year showed a further rise from £659,089 to the record level of £738,580. Increased taxation, however, absorbs over half the 12 per cent. rise in total profits, and since the ordinary capital was increased by £29,360 £1 shares a year ago, the rate earned for ordinary shares is only slightly higher at 40.1 per cent. The contingencies reserve (which is not shown separately in the balance sheet) receives a lower allocation, but an increased provision for reserve (together with £132,133 from share premiums) raises the fund to £675,000. Stock, at £2,492,556 against £2,052,817, accounts for over half the balance sheet total, and are the main asset item to show expansion following the 1938 share issue, though premises are roughly £25,000 higher at £486,087, and a new holding of £94,688 Government securities now appears. This, however, is partly offset on the liabilities side by a rise in the bank overdraft from £16,786 to £82,388. The undertaking has not reached maturity, to judge from the offer to ordinary shareholders of new ordinary shares in the ratio of one for

BRITISH GENERAL SERIES 'C'

A Unit Trust comprising Shares of 27 leading Industrial Companies. Purchase price around 16/- returns gross yield approximately 5½%

Trustees:
GENERAL ACCIDENT FIRE & LIFE ASSURANCE CORPORATION, LTD.

Managers:
BRITISH GENERAL FIXED TRUST LTD.,
36/37 King Street, London, E.C.2

five. The price of 30s., however, is in significant contrast with the 40s. obtained for the 1938 issue. With rights worth about 18s. 4d., the ordinary shares yield £4 10s. 6d. at a current price of 7½, and represent a satisfactory holding.

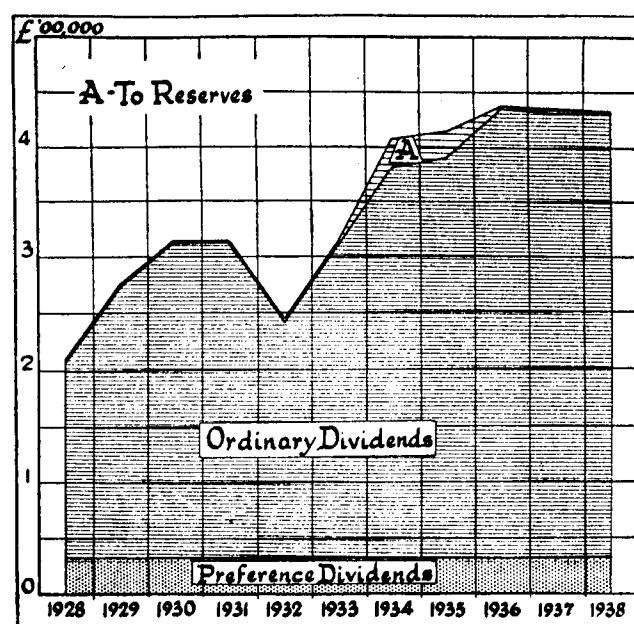
* * *

London Brick Profits Maintained.—For the past four years London Brick has produced profits and achieved outputs which have wholly confounded the pessimists. Diligent search would be needed to find another equity which has stood so long in the 8 per cent. yield category, with so little apparent justification from reported profits and dividends. Another output record was attained last year, despite reduced building operations in the closing months, and trading profits are in consequence slightly higher at £566,575. Including investment income, total profits show a negligible decline last year from £589,654 to £587,130. Depreciation is maintained at £150,000, and ordinary earnings are only slightly reduced at £402,000. The following table and chart illustrate the remarkable steadiness of profits in recent years:—

	YEARS ENDED DECEMBER 31		
	1936	1937	1938
Total profit after tax	£591,569	£589,654	£587,130
Depreciation	150,000	150,000	150,000
Fees	3,525	3,165	3,130
Preference dividend	32,000	32,000	32,000
Ordinary Stock:—			
Earned	406,044	404,489	402,000
Paid	405,000	400,000	400,000
Earned %	22·6	20·3	20·2
Paid %	22½*	20	20
Carry forward	75,511†	80,000	82,000

* Also one-in-nine capital bonus.
† After £200,000 for capital bonus.

LONDON BRICK PROFITS, 1928-38



The company's predominant position in the industry, and its success in extending its effective selling area into markets previously regarded as the preserve of smaller local companies, have clearly offset the direct effects of a general fall in building activity. The balance sheet makes satisfactory if unexciting reading. Net additions to plant during 1938 amounted to £83,065, and a rise in cash and Government securities from £201,733 to £463,212 is partly

accounted for by a drop of about £110,000 in other investments. The £1 stock units at a current price of 51s. 9d. yield £7 14s. 9d. per cent. At a time when investors are beginning to consider the disparities between equity and fixed-interest yields, this return is apparently attractive. But will the company continue to be successful in future in obtaining a larger slice from a still smaller cake?

* * *

Metropolitan Electric.—Metropolitan Electric profits arise from the London Area, which is subject to the London Electricity Act of 1925, and the Western Area, which is relatively unrestricted. The company also owns subsidiary companies, which provide its most important source of revenue. The results of the company for the past three years are given below:—

	LONDON AREA		
	Years to December 31		
	1936	1937	1938
Gross revenue	553,867	577,709	562,880
Operating expenses	379,243	408,052	430,129
Net revenue	176,832	172,220	134,385
Available for ordinary	105,584	96,731	53,979
Ordinary dividend (7% on £973,465)	68,143	68,143	68,143
No. 2 reserve fund	12,496	19,106	23,906
Carried forward	94,875	104,357	66,287

	WESTERN AREA		
	Years to December 31		
	1936	1937	1938
Gross revenue	901,394	999,185	1144,141
Operating expenses	584,226	713,336	845,997
Net revenue	317,168	285,849	298,143
Depreciation	174,639	178,255	162,178
Interest and preference dividends	76,311	71,333	76,400
Available for ordinary	66,218	36,261	59,565

COMBINED RESULTS

Available for ordinary—			
London area	105,584	96,731	53,979
Western area	66,218	36,261	59,565
Interest and divs. from subsidiaries	198,785	235,333	239,988
Total	370,587	368,325	353,532
Ordinary dividend	331,250	338,496	360,000
Earned (%) *	15·2	13·0	11·8
Paid (%)	10·+	12	12
To No. 2 reserve fund	2½ t.f.	12,496	19,106
Carried forward	151,104	161,826	131,452

* Calculated on distributable earnings.

In the London area, the company substantially reduced prices last year, for revenue from sale of current is down by £15,100, but the cost of current increased by £10,807. On balance, the net revenue available for the ordinary capital shows a decline of £42,752 to £53,979, which is actually less than the statutory dividend of £68,143; but the reduction in prices entitles the company to distribute a sum of £23,906—as against £19,106 in 1937—in excess of the standard dividend, which has been transferred to the No. 2 reserve fund, at the expense of the carry-forward. As a result, the balance carried forward at the end of 1938 is now just below the maximum of £71,518 fixed under the 1925 Act. The Western Area shows a very satisfactory increase in gross revenue of £144,956. Costs, however, have risen more than proportionately, and net revenue, before depreciation, is only £12,294 higher at £298,143. The charge for depreciation is reduced by £16,077 (which still leaves it in excess of the amount calculated on our standard basis), and on balance there is an increase in distributable profits for the Western undertaking of £23,304. Income from investments, at £239,988, represents a return of over 10 per cent. gross on the book value of subsidiaries, which amounts to £3,132,650, although certain other interests amount to about £350,000. Taking the combined results, the 12 per cent. dividend, and the transfer of £23,906 to the No. 2 reserve fund, reduces the amount carried forward by £30,374. At 50s. 6d. the shares yield 4½ per cent. In view of the small margin of earnings in recent years, the limited earnings scope of the London

undertaking and the purchase rights of local authorities in respect of an important part of the Western Area undertaking, this is probably not unduly generous.

* * *

Midland Counties Electric.—The sharp increase in net earnings from £374,183 to £413,690 last year almost equalled that of 1937, and the advance in ordinary earnings was even more marked, for percentage earnings rose to 11.7 per cent. against 9.8 per cent. in 1937. Actual earnings might well be higher than this, in view of the generous provision made for depreciation by the operating companies. The company's subsidiary undertakings include various traction properties, whose profits are not separately shown, but even allowing for the higher rate of depreciation necessary on these properties, the total depreciation provision still appears high. Profits have probably benefited to a fuller extent from the preference share issue in 1937. Profits for the past three years are analysed below:—

	1936	1937	1938
Trading profit of subsidiaries	£664,703	£767,352	£812,827
Depreciation reserves	306,955	377,116	383,200
Revenue paid to parent company	353,660	390,236	429,627

Parent company—			
	1936	1937	1938
Net earnings	337,480	374,183	413,690
Debt interest, etc.	34,197	41,793	40,744
Preference divs.	91,500	111,919	117,813

Ordinary stock—			
	1936	1937	1938
Earned	211,783	220,471	255,133
Paid	183,000	180,000	174,000
Earned (%)	9·2	9·8	11·7
Paid (%)	8	8	8

To reserve	25,000	37,125	80,964
Carried forward	11,647	14,993	15,162

Although the growth in trading profits during the past three years is impressive, stockholders would be interested to know what proportion of the company's total investments are now represented by traction properties and to what extent these have contributed to, or hindered, the growth of earnings in recent years. At present, the accounts provide a minimum of information regarding the sources of these satisfactory profits. The issue of £1,750,000 of 3½ per cent. debenture stock and redemption of the outstanding £1,000,000 4 per cent. debenture stock last year has markedly improved the liquid position; at the end of 1938, net current assets totalled approximately £609,000, which compares with a deficiency at the end of 1937 of around £85,000. At 37s. 6d. the ordinary shares offer the relatively low yield of £4 8s. per cent., but this is probably justified by the margin of surplus earnings.

* * *

Northampton Electric.—In 1938, Northampton Electric increased its sales to consumers by 10.3 per cent. and its revenue from the sale of current by 8 per cent. Bulk sales, on which the average price is lower, increased more rapidly than general consumption, and thus account for the slight fall in the average price received, although prices charged for general supply still appear to be relatively high. Gross revenue increased by only £6,427, for the gain due to general sales and bulk supply of £30,911 was largely offset by a reduction in sales to the C.E.B. In 1937, the company sold just over 55 million units to the Board, for £41,196 (equivalent to 0.32d. per unit). Last year, net sales amounted to only 13 million units and revenue to £15,391 (equivalent to 0.28d. per unit). This sharp reduction in exports to the Board is somewhat surprising, since the chairman stated last year that the increasing demands for export to the C.E.B. required the installation of another 30,000 k.w. unit, expected to be in operation in the autumn of 1940. It has, however, provided a reduction in generating costs of some £8,200, which, coupled with a small increase in gross revenue of £6,427, covers the increase in the depreciation charge of £15,814, but does not cover the higher tax provision. The 1937 figures given below,

however, are shown before charging £16,000 for special depreciation. The charge for 1938 exceeds the standard scale by some £20,000, equivalent to over 2 per cent. on the ordinary capital. Results for the past three years are shown below:—

	1936	1937	1938
Units sold (excluding sales to C.E.B.)			
in millions	75·6	85·5	94·3
Increase (%)	14½	13	10
Revenue	£358,807	£393,348	£424,259
Net profit, after tax	205,145	252,811	256,299
Depreciation	70,727	93,724	109,538
Debt interest, etc.	19,831	22,386	22,250
Preference divs.	2,625	2,625	2,625

Ordinary shares:—			
	1936	1937	1938
Earned	111,962	134,076	121,885
Paid	87,000	87,000	95,700
Earned (%)	13·7	17·2	15·2
Paid (%)	10	10	11

Additional depreciation	10,500	16,000	...
General reserve	15,000	20,000	20,000
Carried forward	18,445*	26,656†	32,843

* After crediting £3,953 income tax. † After £2,865 for other provisions.

Capital expenditure during the year amounted to £123,310, which was more than covered by the depreciation and reserve provisions. At 46s. 6d. xd. the shares yield 4½ per cent. on the basis of a dividend of 10 per cent., increased last year by a special jubilee bonus of 1 per cent. But the company is approaching the time when an important part of its undertaking is liable to purchase by the local authority, on the basis of capital expenditure. Even if this right of purchase is not exercised, the company's scope for maintaining profits on their present scale may be affected.

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

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

BOARD OF DIRECTORS

Rt. Hon. the Earl of Athlone, K.G. J. F. G. Gilliat, Esq.
Rt. Hon. Lord Balfour of Burleigh Bertram Lowndes, Esq.
Stanley Christopher, Esq. Horace Peel, Esq.
Edward Clifton-Brown, Esq. Rt. Hon. the Earl of Selborne, K.G.
Robert E. Dickinson, Esq. Sir Roderick Roy Wilson
Brigadier-General Sir Samuel Herbert Wilson, G.C.M.G., K.C.B., K.B.E.

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

Head Office: 10 CLEMENTS LANE, LOMBARD STREET
and 77 KING WILLIAM STREET, LONDON, E.C.4
London Wall Branch: 63 LONDON WALL, E.C.4
West End Branch: 9 NORTHUMBERLAND AVENUE, W.C.2
New York Agency: 67 WALL STREET
HAMBURG AGENCY: 49 SCHAUBENBURGER STRASSE
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 contains information on all South, East and Central African matters of Trade and Commercial Interest. Copies will be sent post free on application.

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.

The Week's Company Profits.—The profits of the fifty companies reporting this week (excluding five for which comparable figures are not available) show a welcome measure of stability, for they total £6,397,000, only 1 per cent. less than the sum of £6,473,000 earned by the same companies a year earlier. Profits of the 364 companies reporting in 1939 to date show a decline of 5½ per cent. at £47,981,000, compared with £50,797,000. The week's results are discussed in preceding Notes on page 463 under the heading "Shorter Comments." The usual analysis table appears on page 486.

* * *

Company Meetings of the Week.—In this issue, reports of company meetings begin on page 469. Lord Stamp's remarks upon the improved operating efficiency of the *London, Midland and Scottish Railway* are referred to in an article on page 446. At the *Clerical, Medical and General Life Assurance* meeting, Sir Francis Smith discussed the society's policy of short-dated investment, which involved some sacrifice of yield but gave increased stability of capital values. Last year the depreciation on the Stock Exchange securities was only 2½ per cent. of book values. The Duke of Atholl, addressing the *Scottish Life Assurance* meeting, expressed satisfaction that for the fourth successive year new policies had been issued for over £2,000,000 of sums assured. At the *Manchester Ship Canal* meeting, Sir Frederick J. West referred to the reduction in annual interest charges. In 1938 bonds of £287,670

had been repaid without recourse to further borrowing. Lord Bocket reported to shareholders of *Peter Walker (Warrington) and Robert Cain* that the bottling factory extensions had been completed, and the company could now cope with the increasing sales in that branch. Mr A. W. Robertson Durham explained to *British Assets Trust* shareholders that the rise in the proportion of securities held in the United States, and the reduction in the case of British securities, were due to changes in value and not to further investment in America. At an extraordinary meeting of *Tarran Industries* to sanction the increase in capital and the new note issue, Mr Robert G. Tarran said that in the past year the company had refused contracts because of the shortage of working capital. The interests of *Anglo-French Exploration* were surveyed at the annual meeting by Mr F. A. Robinson, who expressed satisfaction with the company's ability to pay 10 per cent. for the sixth year in succession. Mr Robert Annan informed *Konongo Gold Mines* shareholders that the rate of treatment had been raised to 10,000 tons a month, which, given a normal grade, should raise output to over 4,200 ozs. a month, against 3,800 ozs. for January, at small additional cost. At the *San Francisco Mines of Mexico* meeting, the Earl of Denbigh discussed the effect of the heavy fall in metal prices, and described the results of the year's active development work. At the *National Mutual Life Assurance* meeting, the Hon. Francis N. Curzon pointed out that their net earned rate of interest of £3 18s. 1d. per cent. showed some increase in spite of the higher income tax.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
MARCH 7 MARCH 9

THE moderate profit-taking which the market was called upon to absorb on Thursday was the natural sequel to a week of useful price improvements. Until the turn of the week, interest tended to broaden, particularly in the equity markets, and home rail stocks again showed substantial improvement. The actual volume of trade is, perhaps, less impressive than the improvement in prices, but the market's ability to consolidate its steady recovery is not the least satisfactory feature of the week.

The gilt-edged market has not experienced any significant increase in business this week, but for the first three days, at least, prices made a cheerful showing, in which undated stocks scored the most impressive advances. In mid-week, however, emphasis tended to change towards the

redeemable issues, while War Loan and Old Consols closed unaltered. Losses of ½ were general on Thursday. In active dealings, the Essex scrip reached ¾ premium. Substantial rises were recorded in all New Zealand stocks.

In the foreign bond market, Japanese issues fell at first, but recovered later on the reduced tension in Shanghai. Brazilian issues again fluctuated on hopes of an offer to resume service. Spanish 4 per cent. bonds staged a sharp advance on the recognition of General Franco, but lost their gain. Continued selling of Egyptian stocks was reported.

Until the traffics were published, home rail stocks gave an impressive performance. The gains tended to be concentrated on the stocks which are at present just within the earnings margin, and the junior prior charges ranking above them. Even the rather disappointing traffics did not bring out any appreciable volume of selling and, after a temporary check, net rises in the prior charges were recorded on

Wednesday. Argentine rail stocks became steady after a poor opening.

Despite some irregularity in mid-week, the trend of industrial shares remained upward, and Thursday's moderate profit-taking was well absorbed. Iron and steel shares rose by small stages, and advanced satisfactorily on balance, though they provided no excitements. Staveley lost 1s. 9d. on the reduced interim dividend. Coal shares were firm, apart from a fall in Grassmoor on the lower profits, and a slight setback in Sheepbridge in mid-week. The engineering section followed the general trend, with Ransome and Marles among the favourites. Among electrical equipment issues, Johnson and Phillips were in especial favour. Motor shares continued in good demand. Leyland went ahead on news of the Government contract. Aircraft issues, on the other hand, were among the few sections of the market to lose ground, following the debate on profits limitation. Textiles generally, including rayon shares, were little changed. There was moderate support for brewery issues, and the tobacco leaders continued to make headway. Provision and catering issues tended to harden, and useful gains were recorded for the more important stores. Miscellaneous shares reflected the general tendency. London Brick strengthened on the report, and there was some enquiry for television issues.

Oil shares began the week brightly. Prices advanced, and there was evidence of increasing public support for the leaders. Profit-taking, however, brought a more hesitant tone in mid-week. Rubber shares continued their recent improvement. Moderate gains were general and fairly continuous, and more public interest was shown than for some while past.

The mining market was not indifferent to the improved sentiment in other sections, but movements were

relatively more sluggish, and at no time was business brisk. Kaffirs became more hesitant in mid-week, after good initial gains. Support was mostly local, though when Paris or the Cape entered the market it was usually to buy. West Africans were quieter than in the previous week, though prices remained satisfactory. Rhodesian copper issues were somewhat erratic but harder on balance. Base metal shares lacked interest, but were firmer for choice.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Feb. 24	6,015	6,800	84.2	120.4
Feb. 27	6,980	7,185	84.8	120.6
Feb. 28	6,460	6,790	85.2	120.8
Mar. 1	6,900	7,390	85.3	120.6
Mar. 2	6,910	7,670	85.0	120.5
1939 High ..	...	...	85.3	123.5
Low ...	...	...	Mar. 1 73.7	Jan. 3 119.9
			Jan. 27	Jan. 33

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

ACTUARIES' INVESTMENT INDEX

OVER the past month there has been a persistent tendency towards recovery, and the Actuaries' index of 160 industrial equity prices stood on Tuesday, February 28th, at 63.5, compared with 59.1 a month ago, but with 69.4 a year ago. The corresponding average yields are 5.70, 6.40 and 5.22 per cent. Gilt-edged securities, as shown by the 2½ per cent. Consols price index, also improved in February, but to a more moderate extent than equities, and unlike industrials had not recovered to the end-1938 level. Home corporations, on the other hand, weakened during February. A rise in the index for distributive preference stocks has been accompanied by a disproportionate fall in yield, owing to the reduced home rail distributions. We give below the usual monthly particulars of fixed interest securities, and also a selection of the separate equity price indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		
	Feb. 22, 1938	Jan. 31, 1939	Feb. 28, 1939
Fixed Interest:—			
2½% Consols. (1).....	138.2	123.7	124.8
Misc. indus. deb. (14) ..	121.8	117.5	117.6
Misc. indus. pref. (26) ..	115.6	108.3	109.4
Ordinary Shares:—			
Insurance (10)	118.1	109.7	112.6
Bldg. mats. (6)	82.3	67.2	74.5
Elec. lt. etc. (16)	120.0	111.9	118.3
Elec. mfg. (13)	119.7	111.9	123.2
Motors (7)	36.8	32.1	37.6
Home rails (4)	61.9	50.0	40.4
Breweries, etc. (20) ...	128.3	108.4	116.6

Group	Yields (%)		
	Feb. 22, 1938	Jan. 31, 1939	Feb. 28, 1939
Fixed Interest:—			
2½% Consols.	3.23	3.61	3.58
Misc. indus. deb.	3.91	4.05	4.04
Misc. indus. pref.	4.25	4.54	4.48
Ordinary Shares:—			
Insurance	3.59	3.89	3.82
Bldg. mats.	6.86	8.16	7.42
Elec. light and power...	4.51	4.93	4.69
Elec. mfg.	5.32	6.37	5.83
Motors	6.41	6.57	5.62
Home rails	5.25	11.65	0.44
Breweries, etc.	5.16	6.14	5.70

New York

THIS week on Wall Street was thoroughly lacking in interest. Prices were steady or a little firmer, but except on Tuesday, when rising quotations were accompanied by the best turnover since the end of January, the general mood of the market was dull, though in no sense weak. Monday was uninspiring, with prices closing below the best, but the net change in prices on Tuesday somewhat understated the actual improvement in sentiment, as profit-taking prevented any advance beyond the strong opening prices. Some of the midweek dullness was attributed to substantial investment selling from a single source, while the earlier cheerfulness was prompted in part by the Supreme Court's decision on "sit-down" strikes. Rails were perhaps the most satisfactory group, and they resisted even Wednesday's sagging tendency. Steel shares provided no features of interest. *Iron Age* estimates steel output for the current week at 55½ per cent. of capacity, against 54 per cent., but it is not considered any marked increase in new business is in progress.

New York Prices

	Close Latest Feb. Mar. 23, 1939	Close Latest Feb. Mar. 23, 1939
1. Rails and Transport		
4. Manufacturing		

Atchafalpa	34½	37½	Briggs	24½	26½
Balt. & Ohio	618	624	Chrysler	75½	79½
B.M.T.	1218	131½	Elec. Autolite	31½	33½
Can. Pac.	454	47½	Gen. Motors	47½	49½
Ches. & Ohio	3514	37½	Hudson Mtr.	7½	7½
G.N. Ry. Pf.	2518	28	Ill. Cent.	1614	18
Illinois Cent.	1614	18	Ind. Air.	27½	27½
N.Y. Central	1818	19½	Boeing Airpln	31½	30½
Norfolk & W.	1114	12½	Douglas Air.	74	71½
Penn. Ry.	2014	22½	United Aircraft	41½	39½
Southern Pac.	1612	18½	Allied Chem.	171½	174
Southern Ry.	18½	21	Col. Carbon	81	87½
Union Pac.	94½	101½	Dupont	148½	149½
Greyhound	18½	19½	U.S. Carbide	81½	83½
			U.S. Ind. Alc.	21½	23
			Allis Chalmers	41½	43½
			Gen. Electric	40	41½
			West. Elec.	108½	112½
			Wash. Keltner	38	39½
			American Can	25½	26½
			Addressograph	46½	52½
			Caterpillar	38½	39½
			Int. Harvester	57½	60½
			Johns Manville	90	94
			Am. Radiator	1614	1614
			Am. Smelting	34½	34½
			Anaconda	2814	3014
			Borden	1914	2014
			Gen. Foods	39½	40½
			Kroger Grcy.	24½	24½
			Nat. Biscuit	25½	26
			Nat. Dairy	1414	1414
			Am. Tob. B.	85	87½
			Lorillard	2314	2314
			Reyn. Tob. B.	38½	38½
			Nat. Distillers	2714	28
			Schenley Dis.	1514	1614

Am. Rol. Mill	18	18½	Mont. Ward.	49½	51½
Beth. Steel	69½	73½	J. C. Penney.	83½	84½
Beth. Steel P. 114 114½	114½	114½	Sears Roebck.	72	73½
Republic St.	21	21½	Walgreen	177½	178
U.S. Steel	60½	62½	Am. Smelting	34½	34½
U.S. Steel Pf.	116	117½	Woolworth	48	48½
Alaska J'neau	9½	9½	Borden	1914	2014
Am. Metal	34½	34½	Gen. Foods	39½	40½
Am. Smelting	34½	34½	Kroger Grcy.	24½	24½
Am. Smelting	34½	34½	Nat. Biscuit	25½	26
Am. Smelting	34½	34½	Nat. Dairy	1414	1414
Am. Smelting	34½	34½	Am. Tob. B.	85	87½
Am. Smelting	34½	34½	Lorillard	2314	2314
Am. Smelting	34½	34½	Reyn. Tob. B.	38½	38½
Am. Smelting	34½	34½	Nat. Distillers	2714	28
Am. Smelting	34½	34½	Schenley Dis.	1514	1614

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

	1939		Feb. 15, 1939	Feb. 21, 1939	Mar. 1, 1939
	Low Jan. 25	High Jan. 4			
347 Ind'ls.	103.2	114.5	106.9	105.6	108.9
32 Rails	27.0	32.5	27.9	27.9	30.4
40 Utilities	80.34	86.51	84.2	84.1	86.5
419 Stocks ...	87.4	95.6	90.5	81.6	92.5
Av. yield *	3.79%	3.31%	3.57%	3.79%	3.64%

* January 11th. † 50 Common Stocks. ‡ March 1st.

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

Feb. 23	Feb. 24	Feb. 25	Feb. 27	Feb. 28	Mar. 1
119.1	122.0	122.8	122.6	123.2	123.2

1939 High: 130.3 January 4th. Low: 112.5 January 26th.

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares 000's
	Shares 000's	Bonds \$000's	
Feb. 23	460	5,283	142
" 24	970	6,673	162
" 25	780	4,600	162
" 27	750	6,110	165
" 28	1,060	9,190	218
Mar. 1	630	7,770	162

* Two-Hour Session.

Paris

MEASURED in terms of security prices, February was a relatively satisfactory month for the Bourse. Moderate gains were recorded early in the month, and although quotations failed to advance further, they remained steady. On the other hand, turnover shrank to a minimum, and the absence of public interest was all too plain. Political factors were again dominating and as sentiment alternated without providing any clear signs on balance, the market's attitude became increasingly reserved, though an improved tone became apparent in the closing days of the month.

	Feb. 1, 1939	Mar. 1, 1939	Feb. 1, 1939	Mar. 1, 1939
3% Rentes 83.05	84.30	84.30	Chargeurs	540
4% Rts. 17.84	30	86.55	Reunis	563
Banque de	7,880	8,025	R. Tinto	2,280
Credit	1,840	1,648	Chartered	22.50
Suez Canal	16,880	15,930	Ford	60
Wag. Lits.	70.25	73.50	De Beers	1,312
			Johannes	384.50

Berlin

THE Berlin Bourse did not escape the dull conditions prevailing in other centres last month. Price changes on balance were irregular, but turnover remained consistently small, and the market lacked resilience. In the first week of the month, especially, realisations on Jewish account were a depressing factor on prices. Sales never reached a large scale, but there was a lack of buying support. A period of dull trading and reasonably steady prices then followed, until sentiment began to weaken again as the month closed, under the influence of the January trade returns and the increase in income tax.

(Continued on page 463)

FIFTEEN MOORGATE UNIT TRUSTS

Enable comparatively small sums to be spread over a considerable number of market leaders arranged in carefully planned groups.

	SPREAD No of Stocks and Shares in Portfolio	YIELD Gross Approx. Last Dividends Current Prices
Household Goods and Services		
PROVIDENT INVESTORS' TRUST 30		58%
Completely Flexible Management Powers		
INVESTORS' FLEXIBLE TRUST 194		7%
A General Portfolio		
HUNDRED SECURITIES TRUST 102		84%
Unique Savings Facilities		
SAVINGS UNIT TRUST 28		41%
Protection against possible Currency Inflation		
INVESTORS' GOLD SHARE TRUST 15		71%



More than £10,000,000 has been invested in '15 Moorgate' Unit Trusts—80% of it through members of the London & Provincial Stock Exchange. Gross Dividends already distributed exceed £1,400,000.

Write for free booklet No. D.97 to
FIFTEEN MOORGATE UNIT TRUSTS LIMITED
15 Moorgate, London, E.C.2

Sub-units in the following offered '15 Moorgate' Trusts can now only be purchased as and when offered for sale by existing sub-unit holders. Investors' General Trust, Investors' Gas and Electric Trust, Security First Trust.

The Theory of the Thing

Business and stock market forecasting depends primarily on a study of monetary factors. Money, and its "flow," governs spending and trade. To mention Supply-factors only (omitting the Demand-factors, which may also be important)—it was the 20% inflation of bank deposit money which caused the 1926-29 boom in America. It was a 28% deflation of bank money which caused the 1929 slump to reach the 1932 levels. It was a 40% reflation of bank deposits which caused the Roosevelt boom of 1936. And it was a 6% deflation of bank deposits which caused the 1937 slump. Finally, it is the recent 9% reflation of bank deposits, coupled with prospective further reflation, that has caused the recent revival.

Deflations of the Supply of Money

It is generally conceded that inflation and deflation of the total Supply of money influence prices, profits and employment. But changes in the Demand for money (either notes or bank deposits) can have a similar effect. A fluctuating demand for money is in fact an important cause of Trade fluctuation.

Deflations of Velocity—due to Fear

There are, however, two different sorts of Demand for money: (i) the Medium-of-exchange demand, which varies passively with the volume of trade without influencing it; and (ii) the Store-of-value demand, which fluctuates with confidence and fear, and actively influences Trade.

The point is that money, including bank money, is used or 'demanded' not only for the sake of doing business (i.e. to spend soon); but is also widely used or 'demanded' as an investment (i.e. to hold, and not spend soon). These differences in the time factor concerning the "holding" of money are subtle, but vitally important to Trade and The Stock Market. Bull markets can develop in money itself; and can bring about bear markets in securities and Trade.

For instance, whenever general nervousness creates a desire for Liquidity, the investment- or liquidity-demand for money (including idle bank deposits) rises rapidly. Such bank-money is then used as a store of value; it is spent with less rapidity than usual; its velocity of circulation through industry is checked; and the volume of actual spending (on commodities and services) is reduced. Thus, Trade, profits and employment suffer from this Deflation of Velocity, or, if you like, from the growing Store-of-value Demand for money—just as much as if the total Supply had itself been deflated. In both cases, the "flow" of money through industry (on to goods and services) is checked.

Pre-War Fallacies

Normally, this industrial disease (of a growing liquidity-demand for money) grows cumulatively during bad Trade, and makes matters worse. For, the greater the fear, the more the non-spending; and the more the non-spending, the greater grows fear.

Obviously no government can take away the liberty of an individual to hoard (i.e. not spend) his notes or bank deposits, if he so wishes; it is his own property—prerogative and often very sensible. But the fact is that if the majority of individuals act (maybe prudently) in this way, their collective action becomes socially harmful, and causes bad Trade. The government is then confronted with the problem of whether it should "mind its own business" and let Business decline naturally, or whether it should "interfere" and check the slump, by artificially adjusting the supply of money to the harmfully growing "natural" investment-demand.

In the post-War era, with all its scares, the Store-of-value or Liquidity-demand for money has fluctuated much more violently than in the pre-War era. And unless something "artificial" is done to counteract these "natural" psychological variations in the "total" demand for money, the cumulative fluctuations in business may be aggravated.

A Cumulative Industrial Disease

Every banker and business man agrees that Trade and prices (i.e. the value of money) are influenced by confidence, but many persons object to Money Management on the ground that 'money does not influence Trade.' They would not, however, hold these views if they understood that although in periods of declining Trade the Medium-of-exchange demand for money automatically declines, the Store-of-value demand normally increases (because of fear) even faster than the Medium-of-exchange demand declines—with the result that the "net" Demand for money as a whole positively grows (rather than decreases) during industrial depressions.

The classical economists failed to emphasize this important fact. They emphasized rather the view that money was merely a Medium-of-exchange (which had no influence on Trade itself), and that the total Demand for it fluctuated parallel with business, declining when Trade fell off, and rising when Trade expanded. And, from this entirely false premise, they often argued that in so far as bank deposits were used as money, it was by no means unhealthy for bank deposits to be automatically contracted (as a result of bank loans being called in or investments reduced) as Trade fell off, and expanded as Trade improved. In fact, they rather approved the idea.

Law of Supply and Demand Disobeyed

But this reasoning is incomplete. The more modern view is that since, and because, the aggregate demand for money increases during bad Trade (even though the Medium-of-exchange demand declines), the total Supply should be adjusted to the Demand, and scientifically increased during periods of depression and falling prices (rather than being automatically or "naturally" reduced). (And vice-versa during booms, so as to prevent wild price-inflation.)

Instead of this being done in practice, however, the reverse operation normally eventuates. Nature has inconsiderately arranged that, in the monetary sphere alone, the Law of Supply and Demand shall not be automatically and "naturally" obeyed, as it is in every other economic sphere, but rather should viciously work in the opposite direction—so that instead of a rise in the value or 'price' of money

BOOMS AND SLUMPS

The "Managed Money Digests" of Major L. L. B. Angas

A Unique Service on the American Market

Money Management—and Money Management alone—has been responsible for two recent abrupt changes in the major trend of the American Stock Market. A new super-power—the Government Money Managers—is astride that market, and their purposes and methods must be understood by investors wishing to operate with safety and profit.

Under Money Management, many of the older methods of cyclical forecasting are rendered partially obsolete. The well-tried Dow Theory, which pre-supposes wide cyclical swings, should become less reliable as a long-term market guide. Even the widely accepted principles of "cyclical" investment, promulgated in Major Angas's standard work "Investment for Appreciation," may require modification. For, insofar as money is properly managed, long-term Cyclical Fluctuations will be replaced by shorter (though perhaps sharp) Managed Money Cycles.

To assist investors in judging the medium-term and longer-term fluctuations in stocks and bonds under these new monetary conditions, Major L. L. B. Angas now writes a series of "Digests on the Outlook for Stocks and Bonds Under Managed Money."

In these Digests an attempt is made to aid investors in putting themselves in the place of the Money Managers so as to analyse:—(1) The ever changing economic conditions which are likely to induce early action on their part. (2) The probable action to be taken. (3) The likely results on the stock and bond markets.

The analyses, which vary in length from Spot messages to 30-page pamphlets, have attained a wide circulation in America. So incisive are their arguments, so often have they "called the turn," that they are now regarded as indispensable by many leading bankers and business executives.

No extravagant claims are made for these Digests, but to participate profitably yet cautiously in the American Market, their study is advised. They will also help investors to apply the investment principles which have been followed by Major Angas in his various market pamphlets, a complete list of which follows:

Forecasts of Falls			Subsequent
	Date	Decline	
Reparations, Trade, and Foreign Exchange (Forecasting the collapse in the German mark)	Feb. 1921	99%	
The Coming Collapse in Rubber	Jan. 1926	80%	
The Coming Collapse in Gold (Included alternative forecast of further boom if America re-valued).....	Nov. 1933	-----	
Slump Ahead in Bonds (U.S.A.)	Feb. 1937	10%	
Forecasts of Rises			Subsequent
	Date	Advance	
The Coming Rise in Gold Shares	Feb. 1931	150%	
The Coming (English) Boom	Sept. 1931	100%	
Stock Market Tactics (Forecasting the Bond Boom, etc., in England)	Jan. 1932	28%	
The Coming Rise in Wall Street	Apr. 1933	190%	
The Coming American Boom	July 1934	100%	
The (American) Boom Begins	Apr. 1935	65%	
The Coming Rescue-Inflation (and Scramble for Stocks)	Apr. 1938	45%	

(SEPT. 1937) FORECAST OF A PANIC—UNLESS

Part of a telegram sent to the Washington Money Managers on September 10, 1937 (five weeks before the panic of October 18). (Three further supporting messages were sent.)
"Monetary Management is now on test. Irresolute half measures are bound to fail. If you do not act at once you will have a panic and a new depression, which will rapidly gather unexpected cumulative downward momentum as a result of the public's experience and bitter lesson learned in 1929-30. Everyone will try to get out simultaneously."

SIGNIFICANT DIGESTS OF 1938

Date	Remarks
March 22	Published within 10 days of cyclical bottom.
July 24	Issued at the first intermediate "top."
September 23	Issued at subsequent bottom.
October 14	
December 14	A sharp rise followed.

Your opportunity to profit from the American Market should be greatly enhanced by a subscription to Major Angas's Digests. A minimum of 12 issues is published each year, as market conditions seem to warrant rather than on specific dates. (18 were issued in 1938.) Their cost is Five Pounds (or \$25) per annum. Six months: Three Pounds (or \$15).

Other Investment Services

Personal management of individual portfolios is also undertaken. In addition, Major Angas conducts a Telegraphic Service in which are made recommendations for purchase and sale of specific American stocks. The charge for this, exclusive of cable costs, is \$100 (or £20) per annum (six months: \$50 (£12)) which subscriptions include the Digest service.

L. L. B. Angas, Investment Consultant, 570 Lexington Ave., New York

(namely a fall in general prices) benignly evoking an additional supply of money (as it ought to), it actually evokes a malignant and cumulative reduction. This monetary anomaly operates as follows:

Another Cumulative Industrial Disease

When general Trade shows signs of falling off, and when commodity prices start to fall, the collateral behind bank loans tends to shrink in value and many private bankers feel bound to call in loans—for prudence's sake. Forced sales in consequence occur; general prices deteriorate further; and cumulative downfalls are therefore called in; prices, meanwhile the bank-money used by the public is itself deflated—instead of being inflated as it ought to be so as to meet the growing Store-of-value demand which invariably matures (through fear) during depressions. Supply is "naturally" deflated, when it ought to be inflated!

The Laws of Supply and Demand are thus not only not obeyed, but positively disobeyed, in the Monetary Sphere.

The economic disease matures because of a natural (and prudent) tendency among individual bankers. It is nobody's fault: it is just endemic, and unavoidable in the very Nature of our modern banking system.

Need for Monetary Management

The disease of a cumulative growing Liquidity-demand for money would be bad enough, even if it operated in isolation, but when it is reinforced and aggravated (as it is) by the additional disease of 'a cumulative contraction of the supply,' it is too much for the industrial system to stand.

And these two cumulative diseases operate, not only on the deflationary side, but also in the direction of cumulative inflation, whenever an upward trend in Trade has once been established, after depression.

In order to iron out the cyclical fluctuations in business and prices which result from these "natural" monetary forces and from prudent banking—a deliberate form of Money Management is now advocated so as 'artificially' to adjust total Supply to total Demand, in accordance with the Law of Supply and Demand.

This is the object of Managed Money.

N.B. England to-day is perhaps making the mistake of merely keeping the Supply stable, when the (liquidity) demand is growing rapidly, through fear.

Looked at as a whole, money management can be likened to the steering of an automobile along a bumpy country road with ditches on either side. If the car swings "naturally" too much towards the ditch of inflation on the right (or of deflation on the left) the chauffeur (or Managers) should 'artificially' swing the car the other way.

The job of the Managers is to "fiddle intelligently," or "monkey continuously" with the steering wheel (the People's money!), since by this method alone can a fairly straight course be followed (along the road to monetary stability and economic prosperity). Neither too much inflation, nor too much deflation!

This is what America now hopes to do. Her government no longer believes blindly in the "natural" safety of monetary cars without drivers.

Stock Market Prospects

Meanwhile, the American stock exchange will jump or fall, as the throttle or brakes are alternately applied. Investors must keep their eyes and ears on the brains and feet which control the money pedals. They are vital. (Hence these Digests)

See Chart on Digest 28.

	Feb. 1939	Mar. 1939		Feb. 1939	Mar. 1939
Reichsbank	182.00	180.00	Nord. Lloyd	68.40	65.00
D.D.	118.00	118.25	A.E.G.	119.90	115.00
Bank	118.00	118.25	Siemens	195.00	195.00
Dresdner	112.10	111.10	Stahlwerke	109.75	109.00
I.G. Farbenind.	150.00	149.75	Hamburg Amer.	64.50	61.00

Amsterdam

As in London, the Amsterdam Bourse showed a reasonably steady trend of prices in February, but it was accompanied by a poor turnover, which in one session was described as the lowest for years. International politics, Wall Street's behaviour and the course of the guilders were watched with interest, but on balance the month was featureless and dull. The market began quietly, became particularly weak on February 3rd, recovered, and then for the following three weeks displayed only minor fluctuations. A better tone, however, became apparent in the last few days, and there was a satisfactory general advance. Rubber and sugar shares were active.

	Feb. 1939	Mar. 1939		Feb. 1939	Mar. 1939
2½% Dutch	79½	80	A. K. U.	337½	407½
5½% Ger.	24½	24½	Ford Motor	330½	367
Philips Lp.	198½	218	Del. B. To.	200½	208½
Neth. Ship.	107½	111½	Ryl. Dutch	309½	321½
Lever Bros. & Unilever	132½	130½	Hand. Am.	417	429½

* Without transfer certificate.

Canada

MOVEMENTS in leading Canadian stocks during February are shown in the following table:—

	Feb. 1939	Mar. 1939		Feb. 1939	Mar. 1939
Bell Tel.	168	175	Int. Petrol.	257½	261½
Can. Car.	15½	15½	Brazil Trac.	814	878
Do. pref'd.	31	32½	Brit. Col.	223½	26
Power Corp.	103½	111	Power "A"	218	234
Dome Mines	31½	31½	Do. "B"	8	778
Hollinger	14½	14½	Can. Cement	51	52½
McIntyre	52½	56½	Int. Nickel	5	558
B. of Montr.	212	211	Massey Harris	6	558
Bk. of Nova Scotia	305	303	Montreal Lt.	297½	304½
R. Bk. of Can.	188	190½	Quebec Pow.	16	18
C. Bk. Com.	174	174	Shawinigan	201½	214
Can. Pac.	5	4½	Water.	201½	214
Cock. Flow.	7½	7	Steel Co. of Canada	71	73

Capital Issues

THE striking success of the Essex issue last week has been quickly followed by Barking, whose issue of £500,000 3½ per cent. stock 1954-59 was made on Friday. The amount is smaller than most trustee issues, and even after the Essex stock had reached ¾ premium, the terms of the Barking loan were regarded as no more than normally attractive. Issues of convertible notes are being made by Van Emden (Dutch Guiana) Gold Mines and Tarran Industries, the former at 7½ per cent. and redeemable at 110 in 1946 or convertible to three 5s. shares in £1 notes before that date, while the latter carry 5½ per cent. interest and may be converted up to March 31, 1941, at the rate of 1,000 2s. shares per £100 note, and thereafter on less favourable terms until final redemption in 1950. A statement for information only to be published by W. G. Allen and Sons (Tipton).

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
March 4	70,000	£	685,000
To the Public	284,592	£	426,888
To Shareholders	1,031,000	£	980,277
By S.E. Intro.	675,275	£	1,360,336
By Permis. to Deal	Nil	£	Nil
Sav. Certs., week ended February 25	Nil	£	Nil
Year to date	Including Conversions	Excluding Conversions	
1939 (New Basis)	29,400,229	£	29,323,364
1938 (New Basis)	47,518,469	£	35,713,867
1939 (Old Basis)	18,908,852	£	18,831,987
1938 (Old Basis)	36,282,194	£	24,477,697

Destination (Excluding Conversions)

	U.K.	Brit. Emp. ex U.K.	Foreign Countries
Year to date	20,894,447	8,228,917	200,000
1939 (New Basis)	26,543,301	6,741,337	2,429,229
1938 (New Basis)	15,171,195	3,460,792	200,000
1938 (Old Basis)	17,983,098	4,095,475	2,399,124

Nature of New Borrowing (Excluding Conversions)

	Deb.	Pref.	Ord.
Year to date	15,535,711	1,400,046	12,387,607
1939 (New Basis)	18,077,754	2,977,971	14,658,142
1938 (New Basis)	13,062,635	712,697	5,056,655
1938 (Old Basis)	18,850,777	1,885,722	8,741,198

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

Barking Corporation.—Issue of £500,000 3½ per cent. redeemable stock at 97. A Trustee stock. Redeemable at par November, 1959, or from 1954 on notice. Latest estimated population, 80,000; rateable value, £722,334; rates, 14s. 2d.; debt, £2,780,656 (of which £1,598,427 reproductive).

Van Emden (Dutch Guiana) Gold Mines.—Issue at par of £200,000 7½ per cent. convertible secured notes. Secured by first floating charge. Convertible at holder's option before June, 1946, into three 5s. shares per £1 note. Redeemable July, 1946, at 110. Sinking fund of 25 per cent. of profits, plus 10 per cent. of notes, begins 1941. Incorporated 1912. Net assets, £252,756. Estimated annual profits (gold, 140s.) from July, 1940, £108,604 (after note interest, before sinking fund). Proved reserves, 1,500,000 tons; partly proved and prospective, 1,700,000 tons. Lists closed at 12.55 p.m., March 1st.

BY STOCK EXCHANGE INTRODUCTION

W. G. Allen and Sons (Tipton), Ltd.—Issued capital, 408,500 5s. ordinary shares. Manufacturers of products required for power plants. Profits, years to March 31st, after depreciation: 1937, £6,585; 1938, £11,394; half-year to September 30, 1938 (before depreciation), £12,308. Total assets, 1938, £213,768.

BONUS SHARES

William Stones, Ltd.—A capital bonus of 100 per cent. for ordinary shareholders is announced, by capitalising £150,000 general reserve.

ISSUES TO SHAREHOLDERS ONLY

James Booth and Company, Ltd.—It is proposed to offer to ordinary shareholders 250,000 £1 ordinary shares (ranking for dividend at end of 1939) at 30s., in the proportion of one for two held.

Gallagher, Ltd.—It is proposed to issue 284,592 £1 ordinary shares at 30s., to ordinary shareholders registered March 31st, in the proportion of one new share for five ordinary held.

Tarran Industries, Ltd.—Issue at par to shareholders of £175,000 5½ per cent. convertible registered redeemable notes. Proceeds to reduce indebtedness to bankers and for working capital. Redeemable at 102, 1940-50. Holders may convert at varying rates and dates.

CONVERSIONS AND REPAYMENTS

A. and S. Henry and Company.—This company proposes a return of capital of £260,000. The entire £100,000 preference stock will be repaid plus a bonus of 1s. per £1, absorbing £105,000 in all. Of the £1,600,000 ordinary stock, 2s. per £1 unit will be repaid, absorbing £160,000.

RESULTS OF ISSUES

Essex County 3½ per Cent. Stock.—Lists for the £1,000,000 stock at 97 were closed at 9.05 a.m. on February 23rd. The issue was subscribed twenty times. Applications for £500 or under were ruled out; £600-£1,900 received £100, and thereafter by scale to a maximum allotment of £1,000.

Metropolitan Water Board.—Tenders for £1,000,000 bills dated March 1, 1939, and payable September 1, 1939, were opened on February 23rd. Total applied for, £5,325,000; allotted, £1,000,000; tenders at £99 14s. 5d. receive an allotment of about 67 per cent. Average rate of accepted tenders, £0 11s. 0.90d. per cent. p.a.

UNIT TRUSTS

National Gold Shares Certificates.—Managers, National Fixed Investment Trust, Ltd. Cumulative trust, 10-year life. Initial portfolio, 18 gold-mining companies; 12 alternative investments. Service charge, 4½ per cent., plus ½ per cent. semi-annually. Administration fund will be created.

SHORTER COMMENTS

Company Results of the Week.—Recent brewery results appear to reflect some decline in general purchasing power. Thus TAYLOR WALKER net profits have fallen from £313,191 to £284,009, and CANNON BREWERY have reduced their dividend from 10 per cent. to 8 per cent. LAMPORT AND HOLT were severely affected by the poor cereal crop in South America last year and voyage profits for 1938 fell from £184,038 to £56,483. Depreciation provision is reduced from £100,000 to £40,000, and while the reduction in the dividend is only from 5 per cent. to 4 per cent., the share premium account balance of £13,860 has been transferred to revenue. London stores results make a varied showing. HARRODS' gross trading profit, excluding dividends and other receipts, is 7 per cent. lower at £2,353,923. D. H. EVANS, its subsidiary, however, shows better results, while the total profits of PETER ROBINSON have been satisfactorily maintained at £113,879. Total profits of A. W. GAMAGE were reduced by no more than 3 per cent. to £125,194, thanks to a satisfactory revival of business in December. A. AND S. HENRY AND COMPANY, the textile merchants, have experienced a sharp fall in net profits, from £70,409 to £11,992. Substantial liquid assets are held, for which useful employment in the business cannot (Continued on page 464)

Industry and Trade

Coal-mining Profits in 1938.—Despite a fall in production of about 12.9 million tons between 1937 and 1938, the trading results of the British coal-mining industry, as ascertained by joint audits for purposes of wage regulation, showed a slight increase in the aggregate credit balance. Data of costs and proceeds for some of the smaller districts are not yet available, but the results of the principal coalfields are shown below:—

CREDIT BALANCES OF PRINCIPAL DISTRICTS.		
	1937	1938
Scotland	£ 2,584,456	£ 2,388,897
Northumberland.....	662,201	829,273
Durham	813,876	1,330,012
South Wales	701,702	619,018
Yorkshire	2,844,614	2,507,371
Derby and Notts	2,592,298	2,229,299
Leicester, Cannock Chase, and Warwick	1,431,225	1,430,210
Lancashire, Cheshire and N. Staffs	1,443,631	1,697,940
Other districts.....	273,129	400,000*
	13,347,132	13,432,020

* Estimated.

After the first three months of the past year, market conditions rapidly deteriorated, but the districts were unequally affected by the decline in demand and prices; Wales suffered seriously from the French import restrictions and from the disappointing results of the Anglo-Italian Trade Agreement of March, 1938, during the second half of the year. The major cause of the increase in the credit balance was the increase in the pithead prices. By far the greater part of the coal was disposed of under contracts arranged under the active trade conditions of 1937. The declared average f.o.b. value of exported coals was 2s. 2d. per ton higher than in 1937 and the ascertained pithead proceeds 1s. 6d. per ton higher. Costs, however, partly because of higher wages and partly because of the increase in the incidence of standing charges owing to part-time working in most of the coalfields, increased from about 14s. 7½d. to 16s. 1d. per ton, and for this reason the average increase in the pithead proceeds per ton compared with 1937 was only about a penny.

Anglo-Polish Talks.—In order to facilitate the conclusion of an international coal export agreement, the British and Polish colliery owners are now endeavouring to adjust their differences along lines similar to those on which British and German coal owners reached an understanding on January 28th last, discussed on page 263 of *The Economist* of February 4th. The two main tasks which

confront them are the revision of the reciprocal undertakings of the Anglo-Polish Agreement of December 15, 1937, and the consideration of Poland's claim for an additional quota in respect of the surplus output of the Karwin collieries which were acquired by her under the Munich Agreement. Since 1934 exports from Poland to countries other than Czecho-Slovakia, Austria, Hungary and border deliveries to Germany have been nominally restricted to a percentage of Britain's exports to all destinations (Ireland excluded), and since December, 1937, to such a percentage or, alternatively, to an agreed percentage of the combined exports of Great Britain, Germany, Poland, Belgium and Holland. The co-operation between the two countries has unquestionably benefited them, but their methods of regulation have not appreciably modified the competition of German and other coals, and Poland has on many occasions acted unilaterally in defence of her own trade. The operation of the Anglo-Polish Agreement has also had to be varied from time to time to meet the exigencies of unforeseen political complications, as, for example, during the period when the sanctions of the League of Nations against Italy were in force. The effect of these departures from the terms of the Anglo-Polish Agreement has been that Polish exports have normally exceeded the prescribed percentage of British exports, and the parties have now to discover a formula which will meet their respective claims more equitably. Since the partition of Czecho-Slovakia, Germany has been aiming at the reservation, as far as possible, of the Sudeten territories for her own coal; she has also imposed limitations on the export of Ostrau-Karwin coal to Austria; and Polish authorities estimate that of the production of the Karwin mines now under Polish control at least from 4 to 4½ million tons will have to be marketed abroad. In December there were deliveries from these collieries to Italy, Holland, France and Sweden as well as to the neighbouring markets of Czecho-Slovakia, Hungary and Yugoslavia; and it is apparently the intention of Poland to dispose of an increasing proportion of Karwin coals in more distant markets. It is difficult to see how this particular problem can be solved except by agreement with all the countries coming within the scope of the contemplated international agreement. In view of the fact that the coal mined in the Ostrau-Karwin district is more suitable for coking and metallurgical purposes generally than for steam raising, the view is held in British coal circles that the claims of Poland should be met by a redistribution of Central and South European trade rather than by any reduction in British exports, which consist predominantly of steam and anthracite coals.

Fall in Value of Building Plans.—The value of building plans approved by 146 local authorities, which report to the Ministry of Labour, declined once again last year, this time by 12 per cent. compared with 1937. The decline was most marked (20 per cent.) in plans for factories and workshops, though of course the volume of such building is small compared with house building. The total figure of all plans passed was about the same as in 1934, that is well above all the years 1923-33. But since 1934 there have been important changes in geographical distribution. In 1934 Outer London accounted for 27 per cent. of plans passed and the North and West Midland area for 18½ per cent. In 1938 the rôles were reversed, 18 per cent. being reported from Outer London and 24½ per cent. from the North and West Midland area. In recent years the continuous decline in the number and value of dwelling houses, for which plans were passed, has led many observers to expect a serious diminution in the amount of actual building. In fact no such diminution has occurred. The numbers of dwelling houses, for which

VALUE OF BUILDING PLANS APPROVED BY 146 LOCAL AUTHORITIES IN GREAT BRITAIN

	Dwelling-houses (£'000)	Other (£'000)	Total (£'000)
1929	44,260	28,834	73,094
1930	46,764	27,841	74,605
1931	40,492	22,518	63,010
1932	46,888	19,366	66,254
1933	62,308	21,374	83,682
1934	69,586	25,977	95,563
1935	78,429	35,879	114,308
1936	75,062	41,970	117,032
1937	67,638	43,283	110,921
1938	60,004	37,596	97,600

plans were passed by reporting local authorities in England and Wales in 1937 and 1938, were respectively 16 and 23½ per cent. below the peak twelve-month period ended June, 1936. But the number of houses actually built in the year ended September last was only 1½ per cent. below the peak twelve-month period ended March, 1937. It has often been pointed out in *The Economist* that the 146 local authorities cover only about half the total building in Great Britain. The returns are, however, fairly representative of urban areas, though they exclude building within the County of London. Can the discrepancy between plans and activity be due to increased building in rural areas outside the jurisdiction of the reporting authorities? That is one possibility. There is another. It is generally believed that the interval of time between the date on which plans are passed and the date on which building is commenced averages nine months. It may, however, be the case that when the value of plans was increasing rapidly, the delay between approval and execution was getting longer, and that when the value of plans began to decline they were being executed more rapidly. Whatever may be the explanation, the statistics of building plans have proved most misleading and must be treated with great caution.

British Shipping.—The annual reports of the Chamber of Shipping of the United Kingdom and of the Liverpool Steamship Owners' Association, published this week, once more draw attention to the plight of the industry and to the proposals for assistance discussed on page 127 of *The Economist* of January 21st. According to the Chamber of Shipping report, tramp freight rates in 1938 were back at a level at which over one-half of the subsidy would have been payable had the British Shipping (Assistance) Acts remained in operation. Cargo liners have fared rather better owing to increases of 10-20 per cent. in Conference rates in the latter part of 1937. Despite the operation of the International Tanker Pool, tanker freight rates declined to a level which, for a representative vessel, failed to cover increased running expenses and full depreciation. Coasting tramp rates were as low as from 1932 to 1935 during the greater part of the year. Costs, moreover, had shown a marked rise in recent years. During the

past two years the cost of coal rose by 25-30 per cent. (for certain vessels by as much as 40 per cent.), and that of fuel oil and diesel oil by 35 per cent. and 20 per cent. respectively. Stores are 10 per cent. dearer than two years ago, insurance costs 30 per cent. and repairs 30-50 per cent. more, according to the type of vessel, while wages are 20 per cent. higher. The great increase in the cost of shipbuilding, moreover, was hampering all classes of British shipping. Most sections of the industry, therefore, have had great difficulties in making ends meet. The Liverpool Steamship Owners' Association's report covers similar ground. But its Policy Committee rightly pointed out (a) that no proposals could be of any permanent usefulness and effect which did not have as their primary object the restoration and maintenance of world trade, (b) that proposals for temporary Government action pending the restoration of trade must not be such as to prevent or impair the chances of trade expansion and that they must maintain justice of treatment as between the different elements of a competitive industry. An announcement of the Government's policy is now awaited with interest.

Fall in Cocoa Prices.—Nearly six months have passed since the Cocoa Inquiry Commission published its report and three months since the Gold Coast Government appointed a Committee to report on the Commission's proposals for co-operative marketing by the African growers. So far, however, no steps have been taken to support the cocoa market and the London price of Accra has fallen from 25s. per cwt. at the beginning of the season in October to its present level of 21s. per cwt. Supplies in the current season are more than ample; the 1938-39 main crop in the Gold Coast is now estimated at 260,000 tons, against a crop of 220,000 tons in 1937-38 and the prospects for the minor crop, to be harvested shortly, are also favourable. Supplies in the other West African countries will not be below the level of the previous season, and while the Brazilian crop may have suffered from unseasonable weather, a more liberal selling policy has recently been adopted in that country. Further, as the result of substantial purchases since the end of last year, stocks in traders' hands have substantially increased; hence, in the absence of an unexpected spurt in consumption, buyers have no inducement to enter the market for any substantial amounts. The immediate outlook cannot be considered favourable, and some form of international agreement among producing interests would be of great value.

Oats and Barley Subsidy.—Shortly before Mr Morrison was transferred from the Ministry of Agriculture to the Duchy of Lancaster he announced that, in view of

SHORTER COMMENTS

(Continued from page 463)

be found, and the preference capital (plus a 5 per cent. premium) and 10 per cent. of the ordinary capital is to be repaid. The net profits of I. AND R. MORLEY show a 24 per cent. reduction to £88,333, and the dividend is cut from 5 per cent. to 3 per cent. The WOOLCOMBERS' results are somewhat consoling after the recent gloomy record of textile profits, for profits, at £123,980, show a reduction of no more than 2 per cent. H.P. SAUCE, LTD. total profits have fallen by 3 per cent. to £202,211, but the 30 per cent. dividend is maintained.

MISCELLANEOUS

Prudential Assurance Company, Ltd.—Total assets have risen during 1938 by £15,723,319 to a record of £346,139,159, and total income from all sources by £1,586,838 to £56,222,018. The "A" shares dividend rose from 9½ to 9¾ per cent., tax free, and the "B" dividend was maintained at 50 per cent., tax free. Bonuses to life policy holders have been maintained at the same rates as in recent years.

Woolcombers, Ltd.—Net profit, 1938, £111,226 (£114,948); final dividend 11½ per cent., plus bonus 5 per cent., both tax free, making 21½ per cent., as before; carry forward, £77,196 (£66,720); balance sheet shows debtors, £127,860 (£96,788); stores and work in progress, £68,894 (£65,277); investments, £1,314,285 (£1,304,069); cash, £151,448 (£204,881).

Harrods, Ltd.—Total income fell from £2,712,962 to £2,548,912 in the year ended January 31, 1939. To depreciation, £111,803 (£110,076); net profits, £708,191, a fall of £80,611; ordinary dividend 16 per cent., against 18½ per cent., which included 2½ per cent. bonus. To special reserve, £20,000 (£40,000); staff funds, £40,000 (£20,000); carry forward, £183,509 (£6,240 less). Stock stands at £775,867, against £801,326; debtors down from £1,471,140 to £1,354,217; cash from £568,878 to £517,782.

Peter Robinson, Ltd.—Balance sheet at January 31, 1939, shows stocks of £102,152, against £99,687; cash up from £17,580 to £20,084, and debtors from £70,424 to

£76,046; creditors stand at £72,277, compared with £60,424; trading profits at £113,879 compare with £114,959 and net profit is £61,394, against £61,108; year's dividend maintained at 4 per cent. N.D.C. again requires £2,300, and staff fund £1,000; £22,975 goes forward, against £21,131.

Associated Portland Cement.—Final dividend, 12½ per cent., making 20 per cent. for year, on increased capital, against 22½ per cent. To reserve, £60,000. Carry-forward increased by £2,806 to £208,699.

British Portland Cement.—Final dividend, 15 per cent., making 22½ per cent. as before. To depreciation, £260,000 against £250,000. To general reserve, £110,000, against £80,000. Carry forward increased by £1,294 to £219,972.

Electrolux Corporation (of America).—Consolidated net profit for 1938 was \$2,040,922, against \$2,775,497. Net profit for the fourth quarter was \$527,782, against \$621,604 for the fourth quarter of 1937. These figures are shown after all charges, Federal Income Tax, and surtax on undistributed profits.

(Continued on page 481)

THE BANK AS EXECUTOR

This is one of the many services which

BARCLAYS BANK

LIMITED

tenders to its customers.

Full particulars may be obtained from any Branch or from

THE TRUSTEE DEPARTMENT

37 KING WILLIAM STREET, LONDON, E.C.4
27 REGENT STREET, LONDON, S.W. 1

the serious fall in barley prices, the rate of subsidy to the growers of barley and oats would be raised from 10s. to £1 per acre. Last week the new Minister of Agriculture, Sir Reginald Dorman Smith, told the House of Commons that the Government had now decided against the immediate raising of the subsidy. Instead, a new Bill would shortly be introduced which would embody the Government's long-term proposals for assisting cereal growers. The details of the new scheme have not yet been announced, but Sir Reginald stated that the new legislation would remove the restriction under which the receipt of deficiency payments for wheat now renders growers ineligible for the barley and oats subsidy; further, the legislation would be made retrospective to include the 1938 crop, and the original subsidy of 10s. per acre, now due to growers, would be counted as an advance payment of the further assistance contemplated. It is a matter of congratulation that the Government have decided to abandon the temporary increase in subsidy, since, if special payments are to be forthcoming whenever farmers produce an exceptionally good (or exceptionally poor) crop, the cost to the National Exchequer is likely to increase indefinitely. The details of their long-term proposals of assistance to cereal growers will be anxiously awaited.

* * *

Changes in the Retail Trade Index.—As was announced in the *Board of Trade Journal* of February 9th, the monthly index of retail sales, compiled by the Retail Distributors' Association in co-operation with the Bank of England, has now been revised. The main change has been a shift in the base year, from 1933 to 1937, for which latter year more comprehensive data are available. The effect on the index of this change in the base year is shown in the following table, which gives on each base the annual index for the years 1932 to 1938 and the monthly index for 1938:—

AVERAGE DAILY VALUE OF RETAIL SALES

	(1933=100)		1937=100	
	Total Sales		Total Sales	Sales of Food and Perishables
1932.....	101	81	78	83
1933.....	100	80	77	84
1934.....	103	82	79	87
1935.....	109	87	85	90
1936.....	117	93	92	95
1937.....	125	100	100	100
1938.....	128	102	104	100
1938, January.....	127	98	99	98
February.....	115	89	102	76
March.....	120	93	102	84
April.....	132	107	110	103
May.....	126	101	103	100
June.....	130	106	107	105
July.....	129	105	102	109
August.....	111	88	99	77
September.....	129	96	102	89
October.....	130	102	102	102
November.....	129	103	103	103
December.....	170	138	122	154

Two sub-groups have also been added, apparel and household goods, for which indices of sales are available back to 1936.

* * *

Retail Trade in January.—The monthly index of the value of daily sales in January, on the new base 1937, shows little change compared with January, 1938. Sales of food and perishables fell by 0.3 per cent., while sales of other merchandise increased by 0.5 per cent. As the retailers' year runs from February to January, the publication of the latest figures enables comparison to be made with those of the 1937-38 season. Sales in all districts of Great Britain increased by only 1.8 per cent. in 1938-39, the rise being most marked in the early months of the year. The value of sales in Central and West London fell by 7 per cent. compared with 1937-38; all other districts registered an increase, which varied from 1.5 per cent. in the North-West district to 4.2 per cent. in Scotland.

Reduction in Tea Quota.—The increase in stocks of tea in bonded warehouses in this country, from 227.5 million lbs. at the end of January, 1938, to 252.6 million lbs. at the end of last January, and the consequent fall in the average price realised at the London auctions, from 14.49d. per lb. during the first seven weeks of 1938 to 13.57d. per lb. during the corresponding period this year, prompted the International Tea Committee to recommend a reduction in the export quota at its meeting last Thursday. The quota for the year ended March 31, 1940, has been fixed at 90 per cent. of the standard exports, compared with 92½ per cent. in 1938-39, 87½ per cent. in 1937-38 and 82½ per cent. in 1936-37. The standard exports of India, Ceylon and the Dutch East Indies—the three countries adhering to the regulation scheme—are 383.2 million lbs., 251.6 million lbs. and 173.6 million lbs. respectively. In 1937 the aggregate exports of these countries were equivalent to 78 per cent. of world shipments. Some reduction in the quota was generally expected and, in view of the accumulation of stocks, was not unjustified.

* * *

Advance in Prices.—As the prices of staple commodities are very sensitive to changes in market psychology, it is not surprising that many of them were carried upwards by the revival of confidence, due to the relaxation in international political tension, and to the more optimistic view now taken of economic prospects in Britain and in the United States. The improvement is reflected in the rise in *The Economist's* price indices for primary products in this country and in the United States, as well as in the more comprehensive *Economist* and Irving Fisher indices. The latest official index for France, on the other hand, is a shade lower, while the figures for Germany and Italy show little change.

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						
		British (sterling)	American (dollar)					
1936 Dec. 30	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4
Dec. 29 1938	127.8	147.4	135.3	164.2	120.5	135.8	143.8	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
April 27	121.4	137.8	127.5	164.3	116.9	139.0	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
Aug. 3	119.2	138.0	127.1	167.2	117.4	144.6	142.4	97.5
Aug. 31	116.5	133.5	125.0	168.6	116.8	144.9	143.6	97.3
Sept. 28	116.2	134.8	127.0	173.0	116.6	146.0	144.2	97.0
Oct. 26	116.1	134.9	127.0	171.6	116.6	147.8	145.1	97.3
Nov. 23	114.3	132.6	126.0	175.7	116.7	148.7	143.8	97.7
Dec. 21 1939	113.7	132.4	126.5	175.7	115.6	148.7	144.0	97.8
Jan. 4	114.7	134.8	127.5	177.1	116.0	151.2	144.3	98.0
Feb. 1	113.8	132.5	125.9	175.1	115.7	152.7	144.9	97.9
Feb. 15	113.6	132.4	124.1	174.6	115.3	153.5	145.1	97.9
Mar. 1	114.2	134.5	127.9	174.9	116.0*	152.5	145.1	97.9

* This figure relates to February 25th. † Monthly average.
‡ This figure relates to February 18th.

Details of the constituent series of *The Economist's* complete index for this country are given below:—

	Sept. 18, 1931	Mar. 2, 1938	Feb. 15, 1939	Mar. 1, 1939
(1927=100)				
Cereals and meat....	64.5	88.7	68.3	68.5
Other foods.....	62.2	60.7	59.5	59.9
Textiles.....	43.7	57.3	52.7	53.5
Minerals.....	67.4	94.4	90.4	90.7
Miscellaneous.....	65.8	78.2	74.4	74.6
Complete index	60.4	75.6	68.5	68.9
1913 = 100.....	83.1	104.0	94.3	94.9
1924 = 100.....	52.2	65.2	59.2	59.6

The improvement in prices during the past fortnight has been fairly general, for the indices for all the constituent series registered an advance; while consumers are still pursuing a cautious buying policy, the present position of the markets suggests that a little more evidence of an improvement in business activity in Britain and America would be sufficient to set in motion a re-stocking movement.

INDUSTRIAL REPORTS

THE latest news from industrial centres is much more cheerful. The coal trade is active and the output of iron and steel appears to be expanding rapidly. Tinplate manufacturers have secured substantial orders. The volume of business secured by the textile trades has increased, a feature being the improvement in the cotton trade. The Manchester Chamber of Commerce ballot on the Cotton Industry Reorganisation Bill resulted in an overwhelming majority of merchants voting against the proposals. Of the merchants engaged in the home trade, 74 per cent. were against the proposals, while 82 per cent. of export merchants expressed opposition. On the other hand, 72 per cent. of the producing sections supported the plan. The ballot conducted by the Board of Trade on the Bill has been completed, and the results are expected to be announced within a few days.

The importance of the British Industries Fair to the industrial world has been well shown in the past fortnight by the record attendances at each of the three sections—at Olympia, Earl's Court and Castle Bromwich. The volume of both orders placed and of inquiries received has given satisfaction to the stall-holders and it is worthy of note that many inquiries have come from overseas buyers, both in Europe and other parts of the world.

Coal

Sheffield.—The demand for household coal has eased, but it is still not easy to secure full deliveries of some qualities. There is not much change in industrial steams, demand for which is relatively quiet. Small coal is plentiful, and is not fully taken up. Best locomotive hards are in good request. Demand for electricity and gas fuels is well maintained, and coke works are taking moderate deliveries of smalls. Although there is a steady market for coke for industrial purposes, central-heating qualities are in smaller demand. The export market continues dull. Bunker coal is in normal demand. Prices are unchanged.

*

Newcastle-on-Tyne.—With the exception of Northumberland steam smalls, the coal market in this area remains steady, large coals being particularly firm. The reduction in the price of Northumberland steam smalls has brought a little more inquiry for this grade, but the position remains weak and is causing considerable embarrassment to collieries which are having to carry large stocks. There has been some good buying of Durham coals in the past week; the Helsingfors Electricity Works have bought 30,000 tons of Durham smalls, whilst the Oslo Gas Works have bought 40,000 tons of coking coal, these contracts being placed at current prices. The coke market in both the inland and export sections remains quiet.

*

Glasgow.—With the coming of milder weather supplies have generally caught up with demand, and except in the case of best qualities of house-

hold fuel, there are now almost no arrears of deliveries to overtake. Colliery stocks, however, are light, so that the seasonal contraction in buying appears unlikely to have a marked effect. Producers in many cases are well booked for export business over the summer months, but orders for March shipment are below requirements. Foreign buyers expect the usual reduction of 1s. or more per ton, which producers are reluctant to concede owing to the negotiations now in progress in the international market, and also (on the question of inter-district competition) in the home field. Industrial demand maintains recent proportions, and the utility and railways undertakings are still substantial buyers.

*

Cardiff.—There was an improvement last week in the volume of shipments at the South Wales docks, but, at 352,500 tons, exports were still 38,000 tons less than in the corresponding week last year. For the month of February the provisional returns of clearances for foreign destinations give a total of 788,386 tons for 24 working days, compared with 978,642 tons in January (26 working days), and 1,003,245 tons in February, 1938 (24 working days). Current inquiries continue restricted, and part-time working is reported from many parts of the coalfield. Some of the washed steam coals, particularly the dry classes, are relatively scarce, but in other classes the supply is in excess of the demand. Prices are nominally unchanged.

The joint audit of the coalfield for the three months ended January shows a credit balance of only £14,761, against £41,559 in the preceding three months and £388,129 in the quarter ended January, 1938. The proceeds per ton, at 16s. 1.09d., averaged 4.33d. per ton less than a year ago, while costs of production increased by 1s. 1.59d. There is to be no change in the general wage rate for the next three months.

Iron and Steel

Sheffield.—Although business in iron is slow, the outlook is regarded more confidently. Consumers are still unwilling to place long contracts for forge and foundry iron, probably because prices are not fixed for a definite period. Transactions in hematite are better, and there is less hesitation to buy forward. There are some inquiries for finished iron, but the bar mills are not regularly occupied.

The steel section of the market is becoming much more active, with a more substantial demand for both basic and acid billets. Wire rods, strip and bars are in good request, while the call for structural steel is expanding.

The iron and steel scrap market has come to life, largely on rumours of an impending shortage. Consumption is increasing, especially of steelmaking scrap, and business is good in most sections.

*

Middlesbrough.—In addition to Government orders under the A.R.P. schemes, local steelworks are experienc-

ing a better commercial demand. Semi-finished steel continues in good request. Sheet mills are busy. Other departments have booked orders for rails for Denmark, whilst shipments of pipes to South Africa are being made regularly under contract.

An additional blast furnace is being put into operation shortly for the manufacture of basic pig iron at Messrs Dorman, Long and Company's Redcar Works. It is also announced that that company intends starting additional steel furnaces and rolling mills at their Cleveland works.

The pig iron market continues firm. Shipments of pig iron from the Tees in February amounted to 3,010 tons, against 1,421 tons in January. The imports of iron ore during February amounted to 96,355 tons, compared with 105,128 tons for the previous month. Blast-furnace coke is in good supply, the price being maintained at 24s. 2d. per ton on trucks at the ovens. Merchants have to meet a big demand for heavy steel scrap. Shipments of manufactured iron and steel from the Tees during February amounted to 34,273 tons, of which 20,456 tons went abroad.

*

Glasgow.—Steelmakers in the West of Scotland are maintaining a high level of production and the volume of new business placed is gratifying, including as it does almost every class of material. Various engineering firms and builders of steel structures in Glasgow and other districts have recently secured some very important contracts and much of the steel material required is being obtained from West of Scotland steel works. Sheet makers are now fully employed not only with air raid shelters, which provide employment for a large proportion of the plant, but on work for other purposes, and recent bookings both of black and galvanised sheets are considered satisfactory. While some branches of the tube trade are busy and have several months' work on hand, others are finding business quiet.

*

Cardiff.—The recent improvement in the condition of the tinplate trade has been maintained and more mills are being brought into commission. The usual Canadian order for about one million boxes per annum with Richard Thomas and Company has been renewed for the current year, and it is reported that a contract for this annual quantity has been arranged for a period of five years. New business has also been arranged on the Swansea Metal Exchange. Shipments of tinplates in the week ended February 23rd were about 50 per cent. greater than in the previous week, but they were still lower than those in the corresponding period last year. The manufacture of black and corrugated sheets is also more active than it has been for a considerable period, and this expansion in the market for finished products is reacting favourably on the heavier branches of the industry.

News from Abroad.—The uneasiness of consumers concerning the future price trend and the uncertain political outlook are still holding up a seasonal revival on international steel markets. Considering the flow of orders to consumers of heavy steel products and the low stocks in consumers' works, the reluctance in covering requirements is difficult to understand, but the view is widely held that a revival is due very soon. The position of steel producers is, however, mitigated by substantial Government orders for defence materials.

Competition of outsiders and the anxiety of a smaller member of the Cartel to secure orders were responsible for slight disturbances on some markets. As to the American offers, the Comptoirs have made preparations to adjust prices in order to maintain their position. The demand for plates and sheets is relatively better than that for other finished products, but price concessions are still in vogue. Purchases of hoops have fallen off and quotations have been slightly reduced on some markets. As to the conditions on the individual markets, Scandinavia has remained an active buyer and small orders have come forward from the Far East and South America. Some large inquiries from the Far East, especially Japan, are on the market.

As regards the revision of quotas in connection with the partition of Czecho-Slovakia, which was recently subject to negotiations of the Co-ordinating Committee, the existing provisional agreement on the Polish quota has been prolonged, the quota for March being reduced by 20 per cent., which is regarded as a disappointing solution by the Poles. The European Tube Cartel has been able to overcome the difficulties raised by the Czecho-Slovak territorial changes so that a prolongation of this Cartel is now assured. The Executive Committee of the Cartel will meet next week in Luxemburg.

Textiles

Cotton (Manchester).—Demand has continued more active. Spinners and manufacturers have more work on hand than a month ago, and delivery instructions against old contracts are better. Raw cotton prices have tended to rise. The trade improvement is reflected in the larger forwardings of cotton from Liverpool to spinners, the average weekly deliveries during the past month having been 49,231 bales, against 46,178 bales in January. No important developments have taken place with regard to the proposals in the United States for releasing supplies of cotton, and the opinion is gaining ground that no major change will be made until next year.

Demand for yarn has increased. More business has been done in American qualities, especially ring beams, and prices have stiffened. Freer operations have taken place in Egyptian counts for home consumption. Further buying has occurred in tyre yarns for Germany.

The improvement in the demand for piece-goods has been maintained, and some manufacturers have sold more than their output. Shippers to India are still waiting for the terms of the new trade agreement, and only miscellaneous sales have been arranged. Demand for Java has continued more

active. Printed and dyed goods have moved off fairly freely for South America. Heavy goods have been sold for South Africa and sheetings for Australia. Buyers for the home trade houses have placed numerous orders. Some manufacturers have re-started idle looms. Big contracts are pending in drills for the Chinese Government, the quantity wanted being about 20,000,000 yards.

Wool (Bradford).—Conditions in the wool textile industry have improved somewhat during the past fortnight. Wool has continued to keep remarkably firm overseas, which has helped to stimulate the home industry, and big quantities have been sold each week in all selling centres since Christmas.

There has been a slight increase in machinery activity. During the past two weeks there has been a considerable increase in delivery particulars for tops—a sign that spinners are busier. At the present time the hosiery section of the trade is more active than for the past two or three years, the cold weather of the current winter promoting big sales of underwear fabrics which have directly benefited the wool trade. The dress goods trade for the coming spring and summer does not develop as it should, due no doubt to the increase in the imports of Continental dress goods, which are subsidised by different Governments, particularly the Italian.

THE COMMODITY MARKETS

LIKE the Stock Exchanges, the commodity markets have been infected by the improvement in confidence, due to the expectation of economic revival in this country and in the United States. While there are still no signs of a rush to buy, many consumers now seem less disinclined to cover their requirements further ahead, and the prices of many sensitive commodities have tended to advance.

Among non-ferrous metals, copper, lead, spelter and tin were all marked up a little during the week ended last Wednesday. Rubber and raw cotton were also dearer. Wheat prices showed little change, despite the slack demand, but raw sugar prices tended upwards.

The improvement in prices in the United States is reflected in Moody's index for staple commodities (December 31, 1931 = 100) which rose from 143.8 on February 21st to 145.4 on March 1st.

Metals

Copper.—After falling back to £41 6s. 3d. per ton, the lowest level since last September, the price of standard cash copper rallied sharply and closed on Wednesday at £42 6s. 3d. per ton, a net gain of 12s. 6d. on the week. The reduction of the quotas as from March 1st, to which reference was made a week ago, had no effect on prices, but under the influence of the improvement in the stock markets the U.S.A. quotation for scrap copper was raised by ½ cent to 9 cents per lb. This rally is the first favourable sign on the

American copper market for three months, and thus deserves attention.

Tin.—The tin market was also favourably affected by the rise on Wall Street and its price closed on Wednesday £2 5s. up at £214 15s. per ton. This improvement is particularly satisfactory, as the February statistics, published on Wednesday, disappointed the market. According to Messrs A. Strauss and Company, Limited, the total visible supply increased last month by 881 tons to 33,652 tons; new supplies, at 9,165 tons, were 457 tons up on the month, but on the other hand world deliveries declined by 1,411 tons to 6,331 tons. The low level of deliveries and the rise in stocks has rendered the I.T.C.'s task in fixing the quotas for the second quarter of this year even more difficult than it was before. The meeting of the Committee has been postponed from March 15th to March 22nd this week, a fact which indicates that the Committee intends to make its decision as late as possible in order to get a clearer view of the market trend. In the United States the tinplate industry's activity has now risen to 52.5 per cent. of capacity against 45 per cent. a month ago and activity is also on the increase in South Wales.

Lead and Spelter.—The price of lead showed no change this week and closed at £14 5s. per ton, while the spelter price closed 2s. 6d. higher at £13 11s. 3d. per ton. The demand fluctuated considerably from day to day, but as sellers were rather reserved the fluctuations had no effect on prices. Home warehouse stocks of lead totalled 13,976 tons on February 28th against 12,856 tons on January 31st, and stocks of spelter in official warehouses in this country rose from 25,049 tons to 25,771 tons. Even at the higher level, however, stocks of both metals are still comparatively low. According to the *Metallgesellschaft*, the world's lead smelter output amounted to 1,617,498 metric tons in 1938, against 1,698,875 tons in 1937, and the zinc smelter output totalled 1,576,635 tons compared with 1,668,653 tons. In both cases the decline was solely due to the lower United States supplies, since production outside the United States reached record levels in 1938. As consumption of both lead and spelter outside the United States declined in 1938, stocks of the two metals must have increased considerably last year, since production was already in excess of consumption in 1937.

Grains

THE grain market has recently been passing through a very quiet period. European demand for wheat is slow, since millers are only buying to cover immediate needs; outside Europe, the only event has been the purchase of some Australian cargoes for Shanghai, and the sale of 200,000 tons of Argentine wheat to Spain reported on Wednesday. Although storage space in Argentina is believed to be filling up rapidly, sales have so far been on a small scale. The falling level of world shipments of maize has steadied the

(Continued on page 476)

COMPANY MEETINGS

LONDON MIDLAND AND SCOTTISH RAILWAY COMPANY

EFFECTS OF TRADE RECESSION

SERIOUS DECLINE IN TRAFFICS

RAILWAY CHARGES FOR MERCHANDISE

CLAIMS FOR COMPLETE EQUALITY WITH OTHER FORMS OF TRANSPORT

CO-ORDINATION IN THE PUBLIC INTEREST

LORD STAMP ON THE "SQUARE DEAL"

The sixteenth annual general meeting of the London Midland and Scottish Railway Company was held, on the 24th ultimo, at Friends House, Euston Road, London, N.W.1.

The Rt. Hon. Lord Stamp, G.C.B., G.B.E., chairman of the company, presided.

The Chairman: I will now ask the secretary to read the notice convening the meeting.

The Secretary (Mr Owen Glynn Roberts, C.B.E.) read the notice accordingly.

The Chairman: Ladies and gentlemen, I now lay on the table the report and accounts for the past year, and as they have been in your hands for some days I presume you will, as usual, take them as read.

THE LATE MR CHARLES BOOTH

The company have suffered a severe loss since our last meeting, for it is my sad duty to report the death by accident on December 9th last of our colleague, Mr Charles Booth, of Liverpool, whose family have been associated with Liverpool and Warrington for over 300 years. His great-uncle, Henry Booth, was the first secretary of the Liverpool and Manchester Railway, the inventor of the screw coupling, and shared with Stephenson the prize for the "Rocket." Mr Charles Booth himself, who was at one time chairman of the old Midland Railway, joined that company's board in 1898 and was an original director of this company. He was a man of broad sympathies and great kindness, and it was said of him, in his relationships with labour as chairman of the Employers' Association of the Port of Liverpool and a member of the Docks and Harbour Board, that he had taught all classes to trust to his sense of justice and to count on his sympathetic understanding. He had sound judgment and great business experience, and will be difficult to replace.

We shall also suffer a great loss by the retirement of our dear friend Sir Thomas Williams, whom nature seems to have endowed with perennial youth. He was first employed by the Monmouthshire Railway and by the Great Western, and then his services were acquired by the London and North Western Railway as part of the "working stock" of the Sirhowy Railways when they absorbed it in 1876. It was one of the best bargains they ever made. We have been more than fortunate in having had for so long the benefit of his great experience, his constant energy and his chairmanship of the Birmingham Canal. He is a standing refutation of the theorists who set a fixed age for retirement as the limit of directorial usefulness.

I ought to refer to a face we shall never see at these meetings again, for Mr Eric Charles McAdam died in August last. He was a stern critic of the administration, but the interest he took in all phases of the company's affairs and the sincerity of his convictions will always be a pleasant memory.

ADMINISTRATIVE CHANGES

We have strengthened our position in Scotland by the appointment to the Scottish Committee of Mr Murray Stephen, the chair-

man of Alexander Stephen and Sons, shipbuilders, of Linthouse, who is the sixth Stephen in direct succession as head of that firm.

During the year Mr C. R. Byrom retired from the position of chief operating manager, and we hope he may be spared many years to enjoy his well-earned rest. He has been succeeded by Mr T. W. Royle, an officer of vigour and great experience.

When we lent the services of Mr. E. J. H. Lemon to the Government for a time as Director-General of Aircraft Production, Mr Ashton Davies (our chief commercial manager) was appointed acting vice-president, and Mr T. E. Argile acting chief commercial manager. You will, I know, be sorry to hear that Mr Ashton Davies has been seriously ill, but he has made a good recovery and is resuming his important work next month.

Mr J. H. Follows, who retired from the position of vice-president in March, 1932, had continued up to date to serve the company faithfully as their representative on the boards of several companies in which we are interested. He was a man of outstanding personality, and the company is the poorer by his death.

RESULTS OF THE YEAR

RAILWAY TRAFFIC RECEIPTS

At our last meeting I pointed out that for the fourth successive year our railway traffic receipts had increased and that for the first eight weeks of 1938 we had improved on 1937 by £317,000, and the general prospect over our system was that trade would be just about the same level in 1938 as in 1937.

By the end of the seventeenth week, however, the increase had been wiped out, and for the remainder of the year there was a serious decline, resulting in a final decrease of railway traffic receipts amounting to £3,005,000—a decline which has continued so far in 1939 at the average rate of £78,000 per week.

The reasons for the decline are well known to you—a sharp recession in trade since March, which was accentuated by the international situation, and a further diversion of certain classes of merchandise traffic to other forms of transport, coupled with reductions of rates for vulnerable traffic retained. In addition, large stocks had been built up by various trading interests in 1937, and there was a consequent fall in traffic conveyed in 1938.

TRAFFIC REDUCTIONS

I gave you last year the decreases in the various classes of railway traffic receipts in 1937 as compared with 1929, and repeating these figures in relation to those for 1938 will best indicate where we have suffered.

	Reduction per cent. of 1929.	
	In 1937.	In 1938.
Passengers ...	6.4	5.6
Parcels, etc. ...	4.9	6.1
Merchandise (Class 7 and upwards) ...	14.4	21.6
Merchandise (Classes 1-6) ...	4.6	20.7
Coal ...	3.8	6.1
Livestock ...	28.8	36.2
Total railway traffic receipts ...	8.2	12.4

The figures in each case reflect the increase in charges which came into force on October 1, 1937, and but for this decline would have been even more marked.

A SATISFACTORY FEATURE

The one satisfactory feature is the further growth in the passenger receipts, which were considerably aided by the travel to the Glasgow Exhibition in 1938, but, on the other hand, in 1937 there was a substantial volume of special business in connection with the Coronation. While passenger numbers in 1938 declined by 5½ per cent. compared with 1937, there was a growth in long distance traffic, with an overall increase of £165,000. The Christmas holiday week illustrates this point. You will recollect that sudden frost and snowstorms greatly interfered with the arrangements of the public in that week. There was a severe reduction in the numbers of short-distance passengers who would normally have travelled to football matches which were cancelled or for various recreationary purposes. On the other hand, there was an abnormal number of passengers for that time of the year on the long-distance trains because of the difficulty of road conditions. There were natural difficulties in effecting the change in our working arrangements, with snow and ice impediments, but they were well overcome, and although we received some complaints of delays, there were even more thanks from passengers who appreciated the manner in which the weather conditions were defeated by the really excellent work of our staff as a whole, to whom I sent a special message of thanks.

MERCHANDISE RESULTS

The merchandise results are the most serious, and it is the cumulative effect of our losses here which has led us to make representations to the Government, to which I will return later. Although the major cause of the decline in 1938 in the merchandise receipts, in classes 1 to 6, is the condition of the heavy industries, there have been losses of certain traffics to road conveyance. The latter difficulty is more marked in classes 7 to 21, which in the upper ranges are less affected by trade conditions as a whole. Here we have seen distinct losses of both old and new types of traffic, some of them due to pressure on traders (to whom I have referred before) who recognise that the classified rate system required by Parliament imposes higher rates in terms of weight on the higher classified traffics and do not wish to disturb this balanced system. They have, however, now been instructed by certain ultimate consignees to obtain tenders for road conveyance on a weight basis, and although both they and the consignees know the ultimate result, they must follow their instructions. The result is a loss of present rail-borne traffic and a lowering of railway rates to retain similar future traffic to the railways with further damage to the Parliamentary scales of rates which are not based on weight considerations alone.

EXPENDITURE

The losses of traffic receipts are, for the reasons I have stated, almost entirely due to causes outside our control. When, however, we turn to the expenditure side of the accounts we get into a field where the amount controllable is substantial. We cannot control prices of materials and rates of wages, although we do our best to see that they are reasonable, and in certain cases we can resort to alternatives, where efficiency and safety are not affected.

ECONOMIES EFFECTED

I have told you on various occasions the many steps we have taken to effect economies and of the budget system we have in force to ration expenditure. When, in 1932, I explained the rearrangement of our budgeting plans, I pointed out that a good deal of time and experience must elapse before they would yield all their logical implications and give their most productive results. Clearly, the most difficult part is the forecasting of the probable receipts, or sales of transport, and last year our first forecasts were far from the mark because they were based upon the equally wrong forecasts by the different industries of their respective prospects. I told you a year ago broadly what they were, and was more amused than annoyed when last September, in the midst of the unprecedented difficulties then, two or three stockholders wrote me pointing out our error. Stockholders, moreover, often get confused between ordinary revenue expenditure and expenditure on capital works which they think ought to be curtailed but which really does not affect the year's results in any way.

REVENUE FORECASTS MODIFIED

We, in fact, modify our forecasts as circumstances change and naturally did so more than once during the year. These revenue forecasts influence our expenditure forecasts, which have been greatly developed and extended in recent years, and were of the utmost value last year. While certain controllable outlay must by its nature be settled well in advance and cannot quickly be altered without disturbance to our customers—train schedules are an illustration—other outlay can be modified. Week by week throughout the year the matter was closely watched, and we cut our coat according to our cloth, each department and each part of it working very closely to plan, with the results I have mentioned.

Maintenance expenditure was reduced by £77,000 and without curtailment of any essential work. Less renewal work was performed, but that does not affect the charges to the year's expenditure as the annual provisions are independent of the work done in any one year. These provisions as a whole were practically the same in 1938 as in 1937, reductions due to standardisation of stock being balanced by the effects of price changes and by a growth in the provision we make to equalise the charges for renewal of worn-out works or for writing off redundant works.

OPERATING EXPENDITURE

Operating expenditure increased by £63,000, which was more than accounted for by increased prices of coal and other materials, as retrenchments in numbers of staff more than offset the higher rates of wages. An interesting figure is the coal charge for locomotive running, which was £83 less than in 1937 out of a total of £4,886,000. There are three factors in this:—

Increased cost per ton of coal used	£201,750
Decreased cost due to less mileage	£153,104
Decreased cost due to less consumption per mile	£48,729
	201,833
Net decrease	£83

Even these three parts cover variations in types of coal, mileage and locomotives, and show the danger of considering total figures alone which have apparently the same meaning.

SUPERANNUATION FUND

Three years ago I referred to our superannuation fund, and told you that we had provided for an additional actuarial liability as from 1935, and that the whole position would be reviewed later. We have now completed our examination of this and all other like liabilities, and this has resulted in a decrease in the annual charge to general charges by £204,000 per annum, and the present figure will repeat itself annually until such time as new actuarial circumstances may require a revision.

The other railway expenditure calls for no special comment, and this brings me to the net railway receipts, which at £10,856,000 are £2,780,000 less than in 1937. The total reduction is, of course, most disappointing, but it compares very favourably with the loss of £3,022,000 in railway gross receipts when it is borne in mind that the expenditure is heavily swollen by the increase in prices and wages rates, which I shall refer to again later.

OTHER NET RECEIPTS

The other businesses and interest items show the same general results as those from railway working and show a reduction over all of £231,000.

The Joint Lines improvement of £136,000 is largely a non-recurring one, due to a special credit of £40,000 for corrections of payment for local rates which have followed the reductions on the main lines. The receipts have also been assisted by amendments of past pooling balances with the owning companies.

An increase in rents of £28,000 is very satisfactory having regard to the many sales of surplus property which we have effected in recent years and which, including £464,000 in 1938, have resulted in credits to capital account since 1923 of £4,250,000—an important liberation of our capital resources for employment in other directions.

RAILWAY CHARGES FOR MERCHANDISE TRAFFIC

I shall be surprised and disappointed if any of you are not fully aware of the proposals which we have made to the Government

through the Minister of Transport for a drastic revision of the law governing the fixation and quotation of charges for the conveyance of all classes of merchandise traffic and the statutory requirements attaching to them. It has become known as the claim for a "Square Deal" because we have asked for complete equality with our competitors, principally road hauliers and coastwise shipping, who are entirely free from the mass of statute and case law and governmental regulation imposed upon us.

In my maiden speech to you as chairman eleven years ago I dealt—not with maiden brevity—with our disabilities, and I have not failed to refer to them at each subsequent annual meeting. In February, 1928, I was most concerned with the undercharges made on our competitors for their use of the public roads and the need for powers to operate our own road transport. These powers we ultimately secured with satisfactory results, which disproved the fears of the opponents to our application and the pessimistic critics of the use of our powers, who suggested we were going to lose millions of money, indulge in wasteful competition, secure a monopoly, rook the public, etc.

CO-ORDINATION IN PUBLIC INTEREST

I see that then I put in the forefront first the public interest, including the interests of those such as the heavy industries who are more or less compelled to use the rail, and secondly justice to the railway shareholders. I then stated that transport by road and rail required co-ordination in the public interest, and that the most economic combination of these two means for each particular set of circumstances must be discovered and made available, and that with road powers the railways would be able to explore the possibilities of co-ordination by voluntary arrangement between the two parties. We have, in fact, very largely secured this on the passenger side, but on the goods side our success has been small because of the far greater number of operators who could not only "cry havoc" but, owing to their use of their freedom, played havoc with our commercial department working under a shackled rate system.

I further pointed out that we had no desire to force traffic on to the rails, but that every ton of traffic which *economically* ought to be on the rails and went on the roads was a loss to you and burdened the heavy industries unnecessarily.

I have inflicted upon you this glance at the past because it aids a true perspective now.

Since 1928 a system of regulating road haulage *licences* has been introduced which in some respects bears a slight resemblance to the obligation placed upon the promoters of a new railway line to show that their proposals are in the public interest, but, of course, unlike railway promotions in the past, the new licensee is not required to pay compensation for damage to other providers of transport.

TRANSPORT ADVISORY COUNCIL'S REPORT

But as regards co-ordination in charges nothing has been done. After several years' protests by the railway companies a Royal Commission was appointed in 1928 to report upon transport questions. In its final report in 1931 it found it impossible to make a positive proposal on co-ordination, but recommended the setting up of a Transport Advisory Council for the purpose, amongst other things, of advising the Minister of Transport on the co-ordination of transport. In 1933 this Council was authorised by Parliament and set up in 1934. It dealt with various other matters, and after prolonged discussions in July, 1937, reported to the Minister on road and rail transport, expressing the view that *all* forms of transport should, where practicable, be rate controlled and recommended that legislative steps should be taken at the earliest possible moment for machinery to secure uniformity of wages throughout the road transport industry, observing that no real co-ordination as between road and rail would be possible without it. The Council further recommended the internal creation of a rate structure by the road transport industry and the setting up of machinery for its enforcement, including a Road Rates Tribunal, and it was hoped that road and rail rates agreements would then be achieved on a voluntary basis. The Minister of Transport announced, as I informed you a year ago, that the Government accepted the broad principles of the report and proposed to introduce legislation accordingly. This was not introduced in the 1937-38 session or referred to in the King's speech opening the 1938-39 session.

ATTITUDE OF ROAD INTERESTS

Since July, 1937, road competition increased steadily in the manner I have earlier explained, and certain road interests developed a strong attack on the railways, completely misrepresenting their

position and suggesting that the adoption of the 1937 report would lead to a railway monopoly. The railways made no reply beyond representations to the Government upon the development of new diversions of traffic which were seriously impairing the railway structure required by Parliament, and making enquiries on the prospects of legislation on the report. No assurances were apparent after the legislative programme of the Government for 1938-39 was published, so the railways submitted new constructive proposals to the Government and asked for early action on them.

These proposals are briefly condensed in the report before you. The existing statutory regulation of the railway charges for conveyance of merchandise and the requirements attached thereto should be repealed and the railways thus placed on terms of equality with other forms of transport. Such equality would remove particular obstacles which have been cumulatively prejudicial to the efficiency of the railways in recent years, and would then assist Parliament to deal with transport charges generally by equal regulations, and it is hoped lead to a large measure of co-ordination of transport.

We were criticised from various quarters by statements that this was a somersault, a *volte-face* or something else equally picturesque that we wished to penalise the heavy trades, that we wished to favour the heavy trades at the expense of the small traders, that we were not entitled to equality on rates because passenger trains in London were overcrowded at the peak hours or because particular long distance trains had run late in a blizzard, that the heating apparatus did not always work, that the remedy was to close unspecified branch lines, that the remedy was to write off some of your capital (making the present unfair return of profits look prettier on paper), that the creation of one huge transport amalgamation was the remedy. In short, that we should not now have equality because justice to us might check interests who are now gaining daily by the injustice and by delay in putting it right.

AN INTOLERABLE SITUATION

Might I again hark back to what I have said to you before—thirteen years ago, six years ago.

I then explained the nature of the statutory regulation of these charges, the classification under which Parliament placed high charges on valuable goods and lower charges on the less valuable goods of the heavy trades, and the inroads of road hauliers on the former traffics. I added and I quote verbatim:—

"While we believe that reasonable regulation of conditions must be in the interests of all branches of the transport service if it is not to fall into chaos, which in the long run will inflict far more damage upon the user than any immediate advantages he may snatch from it, at the same time the existing situation is intolerable. The effect of an entirely free-lance and irresponsible competitor upon the system of rates classification is of immense importance to the public and the heavy trades, and the immediate gains of a section of the community will be dearly bought at the expense of the remainder if a solution is not found."

If the present proposals are a somersault the reason is to be found in the fact that a situation which I described as intolerable six years ago has grown worse to the knowledge of everyone, including the Government, and nothing has been done. That is why we urge Parliament, as the protectors of the interests of the public and not of a section of it, for a *Square Deal*—Now.

The proposals have been referred to the Transport Advisory Committee, of which I am a member, and I do not now propose to comment on their proceedings. I hope, however, that adequate and early action will be taken in Parliament, and if no proposals are made or proposals which your board consider inadequate, they will summon a special meeting of the stockholders of all classes, for this is a matter which affects the debenture stockholders also, in order to make the companies' position clear to you and to the public in general.

ARRANGEMENTS WITH ROAD HAULIERS

While I cannot at this stage give you the detailed position of the discussions, it is clear that we are being opposed by powerful interests, but I would refer to the arrangements entered into with the road haulage organisations, particulars of which have been published.

Contingent upon our proposals being adopted—and the road interests are prepared to support them—we shall co-operate actively with them for a new stage in transport history, the co-ordination of rates and services, and the spirit in which they have made this arrangement augurs well for a resolute joint attack upon this difficult problem.

"SQUARE DEAL" POINTS

Meanwhile we have already indicated ways in which you, as shareholders, can help us. When you discuss the railway companies' claim for a "Square Deal" with your friends be sure they understand the following points:—

The railways want to be free, like their competitors, to make charges by ordinary commercial methods.

They no longer possess a monopoly and old restrictions are no longer necessary.

They do not oppose regulation, provided it applies to all alike.

They have already undertaken that their charges shall be reasonable, and that the trader will have the right to appeal against any charge he thinks unreasonable—this is more than the trader has at present.

The small trader will have the same rights as the big one.

The railways desire true co-ordination of transport in the national interest. The "Square Deal" is a step towards co-ordination, which is impossible under present conditions.

The "Square Deal" does not restrict anyone else.

The need for action is urgent, not because of yesterday's traffics or to-morrow's, but because of the cumulative effect of many years' erosion.

THE PROSPECT

What can I now profitably say upon the prospects ahead with all the world guessing? The railway prospects depend upon economic prospects, and economic prospects are particularly dependent upon international political prospects, and these in turn are in the lap of several considerable gods.

Reports from the separate industries are varied and uncertain, and cannot be easily summarised, though there seems to be discernible on balance a little more optimism in the last two or three weeks. It would not be honest to put it any higher, and I can only say that your officers and staff who have responded so magnificently to every call made upon them in 1938 are ready to secure the best from all that may come in 1939.

The report and accounts were adopted.

On the question of the re-election of a director who was over 70 years of age a poll was demanded and the meeting adjourned for a fortnight.

TARRAN INDUSTRIES, LIMITED

NEW FINANCE SUCCESSFULLY ARRANGED

At an extraordinary general meeting of Tarran Industries, Limited, held, on the 1st instant, in London, Mr Robert G. Tarran, M.I.O.B., the chairman, said:—Arrangements have been made with the Federated Trust and Finance Corporation, Limited, to underwrite an issue of £175,000 5½ per cent. convertible registered redeemable notes. It has been decided, and we feel that you will be in full agreement, that this offer should be made to existing shareholders and not to the public, as the notes offer a good income return, redemption at a favourable premium, and the prospect of a substantial capital profit by virtue of the conversion rights.

£2,000,000 CONTRACTS

During the past year, owing to the shortage of working capital, a number of first-class contracts have had to be refused. There is ample new work available, and, having regard to the reputation and excellent organisation of your company, we shall, with the proposed new capital, be in a position to add considerably to our earning capacity. Even with our present capital we have contracts in progress and on hand totalling over £2,000,000.

You may have read in the Press that building activities are being curtailed, but I should like to emphasise that this applies principally to private and speculative building and does not apply to Government Departments, municipalities, and other public bodies, which do not publish a full programme of their intended operations. It is on these latter sources that we mainly rely for our business. I can readily visualise an expenditure of over £200,000,000 during the next five to ten years on public works and slum clearance, not including the huge trunk road development schemes which must go forward, in all of which we and our well-organised subsidiaries are excellently equipped to participate.

Your company has earned very satisfactory profits in the past, and with the proposed additional capital I look forward to the extension of our business, increasing profits, and the distribution of dividends.

Resolutions increasing the capital of the company and extending the borrowing powers of the directors were passed unanimously.

MANCHESTER SHIP CANAL COMPANY

RESULTS OF A DIFFICULT YEAR

The annual meeting of this company was held, on the 28th ultimo, at Milton Hall, Manchester, Sir Frederick J. West presiding.

The chairman, in the course of his speech, said:—In 1938 tonnage was less than the record figure of the previous year by nearly 650,000 tons, resulting in a reduction of receipts by over £100,000.

The fact that our receipts at the half-year showed a decrease of only £7,000 reflects the dislocation of trade consequent upon the European crisis.

Ship Canal tolls, ship dues and miscellaneous receipts showed a decrease of £101,914. Railway working, including Bridgewater railways, a decrease of £27,318 and the Bridgewater Canals a minor increase of £16, which accounts for a decrease of £129,216.

The decrease of £6,297 in the working of dock labour, less a difference of £1,683 in miscellaneous receipts and charges, brings the decrease to £133,830.

Expenditure in the working of the Ship Canal, including provisions, shows a decrease of £15,771. Income tax has to be £15,000 more, but there is a saving of £5,970 on loan interest.

After taking into account a small reduction of £251 in the amounts brought forward, these figures result in a net decrease of £127,340, which is the difference in the balance available for dividends and reserve, namely, £211,535, as against £338,875 in 1937.

It is proposed that there should be appropriated £35,000 to the reserve for contingencies and repairs and that out of the balance of £176,535 the following dividends, amounting to £154,658, should be paid:—3½ per cent. on the Manchester Ship Canal Corporation 3½ per cent. preference stock, 2 per cent. on the preference shares, 1 per cent. on the ordinary shares, carrying forward £21,877 to next year's accounts.

I come next to the decrease of £40,763 in the provisions. Abstracts (A) and (D) show amounts provided which total £60,320, as against £101,083 in 1937.

Referring to Abstract (A), in 1937 we added £14,000 to our fund for the renewal of dredging craft and plant. Although this fund is not nearly as strong as it should be (it stands now at £38,952—less than the cost of a modern dredger), we do not feel we can be as liberal as last year, and have added only £4,000 in 1938.

We have made no addition to the Dredging Craft Insurance Fund, as against £3,000 last year.

We have still to deal with the Knutsford Road swing bridge, and in 1937, you will remember, we provided £6,000, and have earmarked a similar amount in the 1938 accounts.

We have again, as last year, provided £5,000 towards the cost of the replacement of the railway swing bridge.

In Abstract (D) you will see that the provision made for craft renewals in 1938 is £40,685, as compared with £36,000.

We have again provided £36,000 for imminent craft renewals, and the balance of £4,685 has been taken to depreciation account.

On the receipts side, bonds amounting to £58,480 were repaid during the year. In the last few years we have repaid bonds amounting to £287,670 without recourse to further borrowing. This, as you will have seen, has resulted in a reduction in our annual interest charges.

The traffic through the port in the past twelve months reflects the trade of the country as a whole.

In seaborne traffic our imports have fallen by nearly 400,000 tons—from 5,099,797 to 4,704,530 tons—and our exports have fallen, more severely in proportion, by nearly 230,000 tons, from 1,728,768 to 1,499,250 tons—a drop in imports of nearly 8 per cent. and in exports of over 13 per cent.

The change in our industrial structure consequent upon the decline of the cotton industry from its once dominant position has made it increasingly important to foster minor industries in this area. This has been a policy to which your company has always subscribed and done its best to further.

Our Barton Dock Estate is a contribution to this policy. Last year I told you that a fine new cereal factory for Messrs Kellogg was being constructed there. I can now report it completed and in full production—I trust it may soon be followed by others.

Our sales of land this year exceed even those of last year. The principal sales have been in connection with the extension of oil installations at Stanlow and developments at the steel works at Irlam, enterprises with which our activities are closely associated.

As the conventional tests do not apply to-day I shall make no attempt to forecast our prospects in the current year. Improvement in productive enterprise and profitable exchange await increasing confidence, and we cannot blind ourselves to the fact that confidence, in its turn, awaits a radical change in international relations.

The report and accounts were adopted.

CLERICAL, MEDICAL & GENERAL LIFE ASSURANCE SOCIETY

GRATIFYING RESULTS

The annual meeting of the Clerical, Medical and General Life Assurance Society was held, on the 2nd instant, at 15 St. James's Square, London.

Sir Francis Smith (the chairman) said that the society in 1938 had issued 3,138 new policies for £2,665,301 net of reassurances, which compared with the 1937 figure of 3,142 policies assuring £2,852,848. The number of new policies issued was thus practically the same, a gratifying feature, whilst the fall in net new sums assured was only about 6½ per cent.

The whole of that reduction had occurred during the last quarter of the year, it being their experience that, after the September crisis, there was a widespread disinclination on the part of the public to enter into fresh financial commitments. In the circumstances he thought that the new business total was a creditable one, for the achievement of which they were much indebted to the continued goodwill of their agents, policy holders and other friends.

INTEREST AND INVESTMENTS

Another figure arising out of the transactions of the year to which he wished to draw attention was the average net rate of interest of £3 16s. 2d. per cent. earned upon the invested assets of the society. Although, with the investment and re-investment of growing funds, the net yield continued to show a falling tendency, the 1938 figure should, he thought, be regarded as not unsatisfactory, especially in view of the very high level of existing taxation, the fact that, as on previous occasions, a margin of their interest earnings had been applied to write down the book values of some of the assets—notably property investments—and, lastly, the short-dated character of the Society's investment policy.

The adoption of a short-dated policy naturally implied some sacrifice of yield but equally conferred the important advantage of increased stability of capital values. In that connection they would be interested to know that the shrinkage in capital value of the £4½ millions of Stock Exchange securities, during the depressing year of 1938, amounted to only 2½ per cent. of their book values, as compared with the typical shrinkage of 7 per cent. or more, disclosed by investment index results derived from groups which included longer-dated securities. Further, no individual security stood either above its cost price or above its middle market price, less accrued interest, on December 30, 1938. The resulting book values were materially lower in the aggregate than the market values, and the difference or appreciation, being excluded from the accounts, constituted a reserve margin held against possible future shrinkage of capital values. The net yield of £3 16s. 2d. per cent. afforded a very substantial margin over and above the society's net valuation interest basis of 2½ per cent.

UNRESTRICTED POLICIES

It had always been the practice of the society to issue its policies in as simple a form as possible in the knowledge, based upon long experience, that the absence of restrictive clauses or conditions added to the value and usefulness of the contract. With rare exceptions, accordingly, their existing policyholders were free to go where they wished and do what they would. It was, however, the duty of the directors to ensure, as far as possible, that the new policies to be issued, under the conditions of to-day, should be placed upon the books on the proper terms, and the question of the maintenance of that desirable practice of issuing world-wide and unconditional policies thereby arose. After careful consideration the directors had decided that the practice should be continued, subject to the reservation that the society was entitled to review the basis of issue of the very cheapest forms of policy—such as short-term assurances and their well-known "Supplementary Units"—where the life assurance risk assumed was at a maximum, in relation to the premium paid.

In the revised leaflets which came into force that day certain modifications had been introduced into the terms governing the issue of those two types of policy, which policies remained, however, unrestricted in form and, undoubtedly, good value for money. The directors felt it to be prudent and necessary, in present circumstances, to make those amendments which, they were satisfied, especially in the case of the "Units" policy, inflicted no trace of hardship upon intending policyholders. Indeed, they served, rather, to emphasise the outstanding attractions of that inexpensive and convenient method of obtaining life assurance protection, which protection, incidentally, never could have appeared more valuable than it had done recently and did to-day.

The report was unanimously adopted.

NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

FURTHER RECORD IN NEW BUSINESS

The one hundred and ninth annual general meeting of the National Mutual Life Assurance Society was held, on the 1st instant, at 39 King Street, London.

The Hon. Francis N. Curzon (the chairman) after paying a tribute to Mr J. M. Keynes, who had resigned the chairmanship and retired from the board owing to the state of his health, and expressing regret at the death of Mr Geoffrey Marks, whom he described as "in a very real sense our second founder," said that it was perhaps fitting in a society such as theirs, now in its one hundred and tenth year, that it was not often possible, in reviewing the events of a single year, to point to any notable feature of their business. Nevertheless, it was satisfactory to be able to record, especially in relation to such a year as that through which they had just passed, that the business had progressed satisfactorily.

Once again the volume of new assurances granted exceeded that of the preceding year and created another record. Not only so, but the ingredients of the total consisted preponderantly of what he might call "bread-and-butter" business—ordinary whole-life and endowment assurance policies. Those results had been achieved in spite of—or, perhaps, he should say, partly because of—a wholesale revision, mainly upward, of the premium rates last autumn, and were certainly a credit to their organisation.

On the other side of the account, the amount paid in claims somewhat exceeded the corresponding figure for 1937. Expenses and commissions were higher, but the ratio which they bore to premium income was less due to the large single premiums included in the latter. It was satisfactory to find that the earned net rate of interest, £3 18s. 1d. per cent., showed some increase in spite of the increase in income tax. That figure of £3 18s. 1d. per cent. they regarded as the more correct measure of the rate at which their funds had improved at interest, though the figure which was more comparable with that shown by other companies was £4 3s. 6d. per cent., which was calculated on the assurance funds alone.

CHANGES IN INVESTMENT

The classification of the assets in the balance sheet showed clearly the nature of the changes in investments which had taken place during the year. British Government securities had been substantially reduced and there had been an approximately corresponding increase in amounts deposited with building societies. That was in accordance with their desire in present circumstances to keep a larger than normal investment in the form of "shorts," and it had been achieved not only without loss of income, but even with a small improvement.

Holdings of preference shares had been considerably reduced; they had come to the conclusion that that class of investment, carrying none of the advantages of debentures or ordinary shares and most of their disadvantages, had figured rather too prominently of recent years in their portfolio, and that process of reduction had been carried further since the close of the year. Holdings of foreign government securities were now reduced to a negligible figure.

The year just ended coincided with the close of another biennial period. Speaking generally, the valuation had been made on the same basis as before. The cost of bonuses declared was well within the trading profits. The scale of bonuses—42s. 6d. per cent. compound for whole-life assurances and 37s. 6d. per cent. compound for endowment assurances—was in itself a high one, materially higher than the immediate pre-war distribution of 36s. per cent. compound in 1913. On the present occasion they had felt unable to continue the special additional bonuses which had been the feature of the two preceding distributions. These had never been represented to be as other than prosperity bonuses and the directors were confident that members would accept the present decision as being in their best interests. After two years of unprecedentedly violent depreciation in investment values, the Society entered upon another valuation period with actuarial reserves calculated on a stringent basis and with free resources equal to 13.5 per cent. of the Stock Exchange securities.

These were difficult times for them as investors, and no less so in their personal capacity as citizens. The growing evidence of the country's rapidly increasing strength was, in his judgment, the best guarantee not only that war would be averted, but that real peace would be gained, and the gradual spread of that belief would, he felt sure, enormously relieve the mind of the business man and dissipate exaggerated pessimism in financial circles. He was confident that Great Britain could and would play a decisive part in world affairs.

The report was unanimously adopted.

THE BRITISH ASSETS TRUST, LIMITED

SATISFACTORY RESULTS

MR A. W. ROBERTSON DURHAM'S ADDRESS

The forty-first ordinary general meeting of The British Assets Trust, Limited, was held in Edinburgh, on Wednesday, March 1st, Mr A. W. Robertson Durham, chairman of the company, presiding.

The Chairman, in moving the adoption of the report and accounts, said:—Gentlemen,—Before turning to the report and accounts for the past year, I regret to have to refer to the death of Mr James Ivory, which occurred on January 19th. Mr Ivory founded the company in 1898 and acted as manager since its inception. He was appointed a director in 1928 and during his long association with the company he always took the keenest interest in its affairs. His wide knowledge of investments and his wise counsel will be greatly missed. To fill the vacancy caused by his death the directors have appointed Mr Basil G. Ivory to a seat on the board.

YEAR'S RESULTS

You will see from the accounts that the gross income for the year amounted to £324,140, as against the figure of £344,531 for the previous year. These two figures, however, are not strictly comparable, as the figure for the past year includes all arrears of dividend and also some other dividends which might be considered to be of a non-recurring nature, amounting to a total of approximately £13,000 before deduction of income tax, whereas the figure for the previous year did not include any such extras. After deducting management and other expenses, income tax and N.D.C. as well as debenture interest and preference dividends, there remains £45,162 available for the ordinary stock, and we are again glad to be able to recommend a dividend for the year of 10 per cent. on this stock. This dividend will absorb £34,361, leaving a surplus for the year of £10,801, and you will see from the report that we have transferred £10,000 to the income reserve fund, raising this fund to £130,000, and increased the carry forward by the balance of £801.

On the payments side of the accounts the management expenses show practically no change, but interest on debenture stocks and terminable debentures, less tax, shows a decrease of approximately £8,000, due partly to the increased rate of income tax, but mainly owing to the reduction in the total amount of interest payable as a result of the average of our short-term indebtedness during the year having been substantially less than in the previous year. The higher rate of income tax as compared with the previous year more than made up for the reduced amount of income falling under assessment, and taxation shows an increase of about £1,200.

There is very little in the balance sheet, I think, that calls for much comment. The investments, after deduction of the capital reserve fund and contingent fund, amount to £7,033,834, an increase of £134,000 as compared with last year. As stated in the report, a valuation of these investments as at January 15, 1939, showed a depreciation of 10.32 per cent. on the balance sheet figure, and we have also given there a statement showing the distribution of the investments based on this valuation. This statement shows that the percentage of our funds invested in Great Britain had fallen during the year from 41 per cent. to 37 per cent., whereas that in the U.S.A. had risen from 34 per cent. to 40 per cent. This is due to the fact that the valuation of our British investments has fallen while our American investments have increased in value and not that we have remitted any additional funds to the U.S.A. during the period under review.

On the liabilities side of the balance sheet you will notice that the terminable debentures have been reduced by approximately £140,000, and loans have increased by £153,000, thereby showing a small net increase in our short-term indebtedness.

The past year, as you will know, was a very unsatisfactory one for all those engaged in the investment business, and I do not propose to give you a detailed review of the various crises and other disturbances which occurred throughout the year as you doubtless recollect them only too well. I think, however, that in all the circumstances it is satisfactory that our income, though showing a reduction as compared with the previous year, is still sufficient to enable us again to pay a dividend of 10 per cent. on the ordinary stock and in addition to transfer a further £10,000 to the income reserve fund, raising this fund to the substantial sum of £130,000.

CURRENT YEAR'S OUTLOOK

As regards the outlook for the current year, we have made our usual estimate of revenue, and, providing that nothing unforeseen happens, we hope that we shall be able to maintain the same dividend, but as so much at the present time depends on international politics it is extremely difficult to make any reliable forecast of future earnings.

The Chairman completed his remarks by moving the adoption of the report and accounts, and the payment of the dividend recommended therein.

The motion was seconded and adopted.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

RECORD NUMBER OF NEW POLICIES

His Grace the Duke of Atholl, K.T., presided at the annual meeting held, on February 24th, in Edinburgh.

In moving the adoption of the report, he said that for the fourth consecutive year the company had issued new policies for over £2,000,000 of sums assured net, which satisfactory total had been spread over a larger number of policies than had ever been issued in one year before. There was an advance of about £100,000 in sums assured over the previous year. The net premium income for the year was £658,000, which included £34,000 of new single premiums. The renewal premium income was therefore £624,000, which was £18,000 over that of the previous year.

During the past year the company had earned an interest rate of £4 2s. 2d. per cent. after deduction of income tax. Claims by death were below those expected. The total outgo for claims, including endowment assurances matured by survivorship, was £554,000. Surrenders, including annuity surrenders, at £51,000 represented a normal figure. Commission and expenses had increased fractionally to 16.9 per cent. of the premium income. There had again been a substantial addition to the funds, the increase being £288,000, which brought the company very close to its ninth million. There had been no striking change in the balance-sheet items, and the amount of new mortgages and loans added to the investment portfolio was nearly equal to the sum added to the Stock Exchange securities.

FAVOURABLE NON-PROFIT RATES

Sir John Lorne MacLeod, chairman of the board of directors, in seconding, said that considering the forces which were influencing the future, life assurance, without profits, was still being offered in many quarters at premium rates which were on the low side. It was felt that some of the company's non-profit rates were out of line with present conditions, and steps were therefore being taken to adjust certain premiums for new entrants to slightly higher levels. In referring to the balance sheet, he said that in spite of the recession in capital values of securities which had occurred since 1936 the book values of investments were still considerably below current market values, so that the company had an undisclosed margin of security which was greatly to the benefit of policyholders.

The report was adopted and the recommendations therein contained approved. A final dividend of 2s. 9d. per share, less tax, was declared in respect of the past year, making with the interim dividend of 2s. 9d. per share, already paid, a total for the year of 5s. 6d. per share. An interim dividend of 2s. 9d. per share, less tax, payable on September 1, 1939, was also declared.

A vote of thanks to the branch officials, moved by Mr Wm. Lawson, was acknowledged by Mr J. L. Anderson, branch secretary, North Wales.

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

KONONGO GOLD MINES, LIMITED

SATISFACTORY RESULTS IN DEPTH

The fifth ordinary general meeting of the Konongo Gold Mines, Limited, was held, on the 1st instant, at 20 Aldermanbury, London.

Mr Robert Annan, M.Inst.M.M. (the chairman), after dealing with the accounts, said: The ore treated during the year amounted to 92,018 tons, an increase of 25,777 tons over the previous year, the average rate of milling being 7,668 tons per month. As a result the output of gold at 39,970 oz. was increased in a slightly larger ratio than the tonnage milled. While the revenue from gold was higher by 1s. per ton there was a gratifying reduction of 2s. 3d. per ton in operating costs, of which 1s. 6d. represents the saving in mining and 8d. in treatment costs.

Development was continued at the same rate as in the previous year and has again given most satisfactory results. Fifty-three per cent. of the distance driven on reef was in payable ore and resulted in proving 200,496 tons of new ore during the year. As 92,018 tons were treated during the same period, the net gain is 108,478 tons and the total reserves at September 30th last amounted to 464,259 tons averaging 9.42 dwt. per ton. As this approaches four years' supply for the mill at a treatment rate of 10,000 tons per month, which we now hope to maintain, the position is very sound.

FURTHER PROGRESS IN CURRENT YEAR

Development on the Odumase Vein was particularly encouraging. The results of development since the end of the financial year have been equally encouraging.

In Akyenase Central, in the South Section and on the Odumase Vein, results at the deepest points yet opened on the respective veins are most satisfactory. Lateral development has also been in progress on the Odumase Vein, for which purpose the fourth level has been driven over 600 feet in each direction beyond the limits of the ore-shoot originally developed. It is gratifying to report that both ends recently encountered values. The south end has now been driven 35 feet in ore averaging 22 dwt. over 53 inches. In the north end results are inconclusive and, while it is far too early yet to estimate the importance of these discoveries, they are certainly very encouraging.

Since the end of the financial year the first section of the flotation plant was put into operation. The results have come up to our expectations and, in consequence, the entire plant will be changed over to flotation, when only the concentrate will require cyanide treatment, and work on this is now in progress. In the meantime the rate of treatment has been raised to 10,000 tons per month. Treating a normal grade of ore at 10,000 tons per month should raise our output to over 4,200 oz. per month as against 3,800 oz. for January at little additional cost except for taxation, thus giving promise of considerably enhanced profits in the near future.

You will appreciate that this policy of expansion cannot be carried out without a certain amount of capital expenditure and our programme has already taken us to the limit of our hoisting capacity and of our power supply. Expenditure in the past year was principally on the flotation plant and its accessories and the additional amount required to convert the entire plant to flotation is inconsiderable. To provide for power requirements a further diesel-electric generator set and a compressor have been ordered and will be delivered this year.

NEW VERTICAL SHAFT

We have decided to make a start on opening the mine in depth by sinking a new vertical shaft on the Odumase section to a depth of at least 2,000 feet. Owing to the dip of the veins this will serve both the Akyenase and Odumase veins in depth and will open up the southern section of the property, leaving the northern section for future consideration.

Assuming that we continue to treat 10,000 tons per month at the average grade of our ore reserves our profits should be sufficient to cover this expenditure and still maintain our present rate of dividend, but this leaves little margin for contingencies and obviously depends on our encountering no unforeseen setback. The other alternative is to issue to shareholders a block of our reserve shares at a price which, while attractive to them, would bring in sufficient to cover the major part of the expenditure, leaving most of the increased profit available for distribution. It is this latter of the increased profit available for distribution. It is this latter course that your directors have decided to adopt as soon as a favourable opportunity presents itself.

The report was unanimously adopted.

ANGLO-FRENCH EXPLORATION COMPANY, LIMITED

10 PER CENT. DIVIDEND MAINTAINED

The forty-ninth ordinary general meeting of the Anglo-French Exploration Company, Limited, was held, on the 1st instant, in London, Mr F. A. Robinson (the chairman) presiding.

The Chairman, in the course of his speech, said: Those of you who have studied the report and accounts will have seen that there is a general falling off in the figures. This can occasion no surprise in view of the political and other conditions which have prevailed throughout the year. The remarkable thing is that anyone can carry on business under such conditions, and, taking these into account, we have no reason to be dissatisfied with the figures we have laid before you.

We have maintained our dividend while many companies engaged in similar business have had to reduce theirs. That we have been able to do this is due to the conservative policy we have followed. During the last few years we have built up a reserve fund of £125,000, and we have done various other things which have strengthened the company. The consequence is that when we came to consider what dividend we should recommend we decided to give the shareholders as much as we could and to maintain the distribution of 10 per cent., which, as you know, is for the sixth time in succession—no bad record. Income tax is to be deducted at the rate of 4s. 2d. in the £1 instead of 5s. 6d., which is equal, I believe, to another $\frac{1}{2}$ per cent.

The valuation of the company's assets, less liabilities, shows a surplus of £305,457. The auditors state in their certificate that 99 per cent. of our holdings have quoted prices, which is a record. Shareholders will, I am sure, consider this very satisfactory.

GOLD MINING INDUSTRY IN 1938

The year 1938 was again one of progress and expansion. The ore crushed exceeded 54,000,000 tons. Gold recovered amounted to 12,156,629 fine ounces; working profit was £31,803,257, and the amount paid in dividends was £17,262,216. All these figures show advances upon the previous year.

In consequence of the rise in the price of gold the average grade of ore milled has been reduced from 6.47 dwt. in 1932 to 4.35 dwt. last year, and vast quantities of ore previously unpayable have now become payable. In 1937 the South African Government took nearly £14,000,000 in taxes and royalties; the figures for 1938 are not yet available, but I regret to say there is at present no indication of any reduction.

THE COMPANY'S INTERESTS

Apex (Trinidad) Oilfields, Limited, is one of our principal interests. The production of crude oil, for the company's year ended September 30th last, amounted to 562,942 tons, which was a record. The net profit was £315,554, and the dividends paid amounted to 40 per cent. Since the close of the company's financial year the production of oil to date has amounted to approximately 213,000 tons.

The net profit made by the Anglo-Burma Tin Company, Limited, for the year ended June 30, 1938, was £10,643. The output of tin concentrates was 477 tons. The dividend declared was 10 per cent. The output for the current year, i.e. from July 1, 1938, to the end of January, 1939, inclusive, was 328 tons, against 327 tons in the previous year. The new hydro-electric installation is practically complete and is about to be started up. When the plant gets into full operation we may expect to see a considerable increase in the returns.

We have again received satisfactory dividends from our other tin interests, which are mostly in the F.M.S. The developments at the Geevor are, I understand, excellent. As regards the tin trade generally, the buffer pool was re-established in June. The object of the buffer pool is to stabilise the price between £200 and £230 per ton, and it is understood that the pool will not sell below the latter figure. The production of tin in 1938 is estimated at 148,000 tons, which is a reduction of 60,000 tons on the year before. The heavy fall in consumption is due to a decline in the demand for tin plates and a reduction in the manufacture of motor cars. The visible stocks at the end of the year were reckoned at 29,494 tons, representing a consumption of about eleven weeks. The International Tin Committee have reduced the export quota from time to time, the present quota being 35 per cent.

As regards the future, it would be a bold man who would venture to prophesy. If the international political situation becomes more settled we shall, I believe, see a strong recovery.

The report and accounts were unanimously adopted.

Finance

GOVERNMENT RETURNS

For the week ended February 25, 1939, total ordinary revenue was £29,524,000, against ordinary expenditure of £9,128,000. Thus, excluding sinking fund allocations and Defence expenditure from loans, the deficit accrued since April 1st last is £46,945,000, against a deficit of £11,784,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Feb. 25, 1938	April 1, 1938, to Feb. 25, 1939	Week ended Feb. 25, 1938	Week ended Feb. 25, 1939
ORDINARY REVENUE					
Income Tax	£341,150	248,130	274,623	16,639	17,158
Sur-tax, etc.	62,000	41,040	45,420	2,640	2,970
Stamp duties, etc.	88,000	80,710	68,550	1,720	1,560
Stamps	24,000	19,410	18,770	600	1,300
N.D.C.	20,000	520	18,220	90	780
Other In.					
Rev. Duties	1,250	1,500	1,370	130	80
Total I. Rev.	536,400	391,310	426,953	21,819	23,848
Customs	227,950	200,180	203,066	4,508	4,876
Excise	116,150	105,591	105,794	1,091	1,094
Total Cust. and Excise	344,100	305,771	308,860	5,599	5,970
Motor Duties	36,000	34,061	34,823	182	...
P.O. (Net Receipts)	8,670	13,200	11,870	Dr. 1850	Dr. 850
P.O. Fund	2,400	25	...	...	...
Crown Lands Rec. from	1,330	1,280	1,250	90	90
Sun. Loans	5,250	5,161	5,632	...	...
Misc. Rec.	10,500	11,762	10,777	183	466
Total Ordinary Revenue	944,650	762,570	800,165	26,423	29,524
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	67,450	70,080	3,100	2,450
Total...	1,025,092	830,020	870,245	29,523	31,974

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Feb. 25, 1938	April 1, 1938, to Feb. 25, 1939	Week ended Feb. 25, 1938	Week ended Feb. 25, 1939
ORDINARY EXPEND.					
Man. & Gen. Exp. of Nat. Dn.	230,000	204,010	206,299	356	399
Payments to N. Ireland	8,900	6,801	7,642	428	598
Other Consol. Fund Serv.	5,239	2,933	4,645	14	2
Total...	244,139	213,744	218,586	798	999
Supply Serv.	702,409	560,610	628,524	15,391	8,129
Total Ord. Expend.	946,548	774,354	847,110	16,189	9,128
Sinking fds. SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	67,450	70,080	3,100	2,450
Total...	1,026,990	841,804	917,190	19,289	11,633

* 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).
|| Now transferred as charge against revenue.

After reducing Exchequer balances by £388,308 to £2,593,127, the other operations for the week (as shown below, but excluding £7,750,000 issued under the Defence Loans Act, and £255,000 issued to Sinking Funds) reduced the gross National Debt by £12,780,000 to about £8,268 millions.

WEEK'S CHANGES IN DEBT

NET INCREASE		NET REPAYMENTS, ETC.	
Public Dept. Advances	1,260	Treasury Bills	13,585
Bullion Adv. repaid	50	Anglo-Turk. Agt.	80
		N. Atl. Shipping	25
		P.O. and Teleg.	400
	1,310		14,090

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to February 25, 1939, are shown below:—

Ordinary Exp.		Ordinary Rev.	
£847,110	£800,165	£800,165	£800,165
Eire issues	10,000	Eire receipts	10,000
Defence Loan	63,250	Gross bor. 118,679	
Issues	229	Less	
Incr. in balances	920,589	Sinking Fds. 8,255	
		Net borrowing	110,424

FLOATING DEBT (£ millions)

Date	Tender	Tap	Public Depts.	Bank of England	Total Floating Debt	Floating Assets
1938						
Feb. 26	532.0	273.1	39.2	...	844.3	312.3
Nov. 5	517.0	405.3	46.1	...	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
Dec. 3	517.0	445.4	49.5	...	1,011.9	494.9
" 10	507.0	465.3	46.7	...	1,019.0	512.0
" 17	500.0	474.2	51.5	...	1,025.7	525.7
" 24	493.0	495.3	42.1	...	1,030.4	537.4
1939						
Jan. 7	474.0	524.5	41.0	0.7	1,040.2	565.5
" 14	449.0	525.5	37.1	...	1,011.5	526.6
" 21	426.0	524.1	37.6	...	987.5	561.7
" 28	411.0	517.8	39.3	...	968.1	557.1
Feb. 4	396.0	520.1	36.7	...	952.8	556.8
" 11	381.0	502.4	38.8	...	922.2	541.2
" 18	366.0	498.6	38.9	...	903.5	537.5
" 25	351.0	500.0	40.2	...	891.2	540.2

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate	Per Cent. Allotted at minimum Rate
1938					
Feb. 25	40.0	92.0	40.0	5.1	33
Nov. 4	35.0	67.9	35.0	10.5	44
" 11	35.0	62.7	35.0	10.6	52
" 18	35.0	62.6	35.0	14.1	38
" 25	35.0	69.6	35.0	17.7	32
Dec. 2	35.0	74.8	35.0	17.1	18
" 9	35.0	68.8	35.0	19.2	52
" 16	30.0	70.6	30.0	20.0	79
" 23	35.0	62.9	35.0	22.0	44
" 30	35.0	74.1	35.0	13.8	37
1939					
Jan. 6	25.0	60.3	25.0	11.0	29
" 13	25.0	65.1	25.0	10.8	24
" 20	25.0	67.8	25.0	10.3	22
" 27	20.0	63.4	20.0	10.5	18
Feb. 3	20.0	67.6	20.0	10.4	13
" 10	20.0	71.2	20.0	10.1	25
" 17	20.0	70.1	20.0	10.0	15
" 24	30.0	72.6	30.0	10.1	30

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On February 17th applications at £99 17s. 6d. per cent. for bills to be paid for on Monday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 15 per cent. and applications at higher prices in full. Applications at £99 17s. 7d. for bills to be paid for on Tuesday were accepted in full. £30.0 millions of Treasury bills were offered on February 24th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Six weeks to—		
February 12, 1938	4,499,109	£3,374,329
February 11, 1939	4,105,515	3,079,136
Week to—		
February 12, 1938	769,247	576,935
February 4, 1939	686,648	514,986
February 11, 1939	713,324	534,993

BANK OF ENGLAND RETURNS

MARCH 1, 1939

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt ..	
In Circ.	478,448,520	Other Govt. Securities ..	288,386,625
In Bnk. Department ..	47,965,955	Other Secs.	12,083
		Silver coin ..	586,192
		Amt. of Fid. Issue ..	300,000,000
		Gold Coin & Bullion ..	226,414,475
		(@ 148s. 5d. per oz. fine)	526,414,475
			526,414,475

BANKING DEPARTMENT

Props. Capital 14,553,000		Govt. Secs. ..	
Rest	3,654,252	Other Secs.	6,349,490
Public Depts.*	11,643,224	Securities ..	22,398,292
Other Depts.	110,361,073		
Bankers	36,549,537		
Other			
		Notes	28,747,782
		Gold & Silver Coin ..	1,001,185
			176,761,086

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

THE WEEK'S CHANGES

Both Departments		Compared with	
Amt. Mar. 1, 1939		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	478,448	+ 5,714	+ 105
Deposits: Public	11,643	+ 4,705	+ 217
Bankers	110,361	+ 7,226	+ 5,350
Others	36,550	+ 1,417	+ 526
Total outside liabilities	637,002	+ 9,652	+ 4,502
Capital and rest	18,207	+ 17	+ 26
COMBINED ASSETS			
Govt. debt and securities	398,448	+ 79,958	+ 94,394
Discounts and advances	6,350	+ 11,180	+ 726
Other securities	22,410	+ 714	+ 986
Silver coin in issue dept.	586	+ 101	+ 575
Gold coin and bullion	227,416	+ 99,991	+ 99,757
RESERVES			
Res. of notes & coin in banking department ..	48,967	+ 5,722	+ 139
Proportion of reserve to outside liabilities—			
(a) Bank, dept. only ("proportion")	30.8%	+ 4.5%	+ 0.9%
(b) Gold stocks to deposits and notes ("reserve ratio")	35.7%	+ 15.4%	+ 15.3%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS

1938		1939	
Mar. 2	Feb. 8	Feb. 15	Mar. 1
Issue Dept.:			
Notes in circ.	478.3	475.0	473.2
Notes in banking dept.	48.1	51.4	53.2
Govt. debt and securities	199.6	399.6	399.5
Other secs.	0.4	0.1	0.0
Silver coin	0.0	0.3	0.4
Gold, valued at s. per f. oz.	84.96	84.96	84.96
Deposits:			
Public	11.4	15.4	12.5
Bankers	115.7	103.9	110.3
Others	36.0	35.5	35.1
Total	163.1	154.8	158.5
Bkg. Dept. Secs.:			
Government ..	104.4	77.6	82.5
Discounts, etc.	7.1	20.6	18.1
Other	21.0	22.4	21.9
Total	132.5	120.6	122.5
Banking dept. reserve	48.8	52.3	54.2
"Proportion"	29.9	33.7	34.1
Reserve ratio†	51.0	20.2	20.2

Government debt is £11,015,100; capital £14,553,000. † Gold stocks in both departments to deposits and notes in circulation.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in *The Economist* of May 28, 1938. The latest returns of the Bank of Portugal appeared in our issue of February 4th; Denmark and International Settlements, of February 11th; Australia and Lithuania, of February 18th; Czechoslovakia, Danzig, Greece, Hungary, India, Iran, Latvia, New Zealand, Poland and Sweden, of February 25th.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS		Mar. 3, 1938	Feb. 2, 1939	Feb. 23, 1939	Mar. 2, 1939
RESOURCES					
Gold certifs. on hand and due from Treas.	9,174	11,947	12,050	12,155	
Total reserves	9,639	12,398	12,506	12,597	
Total cash reserves	456	440	446	432	
Total bills discounted	1	1	1	4	
Bills bt. in open mkt.	10	5	5	4	
Total bills on hand	17	15	15	15	
Industrial advances	2,564	2,564	2,564	2,564	
Total U.S. Govt. secs.	2,592	2,584	2,584	2,583	
Total bills and secs.	12,910	15,683	15,789	15,927	
Total resources	4,145	4,347	4,344	4,356	
LIABILITIES					
R.R. notes in circ.	1,390	3,480	3,300	3,380	
Aggregate of excess m. bank res. over reqs.	7,215	9,047	8,841	8,942	
Govt. deposits	185	887	1,181	1,168	
Total deposits	7,820	10,403	10,516	10,593	
Cap. paid in and surplus	12,910	15,683	15,789	15,927	
Total liabilities	80.6%	84.1%	84.2%	84.3%	
RESOURCES					
Monetary gold stock	12,767	14,694	14,818	14,888	
Treasury and Nat. Bk. currency	2,669	2,817	2,821	2,827	
LIABILITIES					
Money in circulation	6,343	6,663	6,708	6,739	
Treasury cash and deposits with F.R. Bks.	3,764	3,657	3,933	3,884	

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

	Mar. 3, 1938	Feb. 2, 1939	Feb. 23, 1939	Mar. 2, 1939
Total gold reserves ...	3931.5	5736.6	5758.2	5796.9
Total bills discounted	2.9	1.6	1.5	1.0
Bills bt. in open mkt.	0.2	0.2	0.2	0.2
Total U.S. Govt. secs.	739.5	724.7	724.6	724.6
Total bills and securits.	747.1	730.2	730.2	729.6
Deposits: Member- bank reserve account	3249.1	4914.2	4805.7	4867.1
Reserve to depts. and F.R. notes	86.2%	89.9%	89.9%	90.0%

BANK CLEARINGS

LONDON

(£ thousands)

	Month of February			Week ended Wednesday		Aggregate from January 1 to	
	1938	1939	Change	Mar. 2, 1938	Mar. 1, 1939	Mar. 2, 1938	Mar. 1, 1939
Number of working days:	24	24	%	6	6	52	51
Town	2,627,656	2,422,048	- 7.8	680,967	665,361	5,989,496	5,390,953
Metropolitan	168,824	165,048	- 2.8	40,702	37,353	384,121	355,895
Country	295,063	290,115	- 1.6	65,848	62,668	661,637	631,675
Total	3,091,543	2,877,211	- 7.0	787,517	765,382	7,035,254	6,378,523

PROVINCIAL

(£ thousands)

	Month of February			Week ended Saturday		Aggregate from January 1 to	
	1938	1939	Change	Feb. 26, 1938	Feb. 25, 1939	Feb. 26, 1938	Feb. 25, 1939
No. of working days:	24	24	%	6	6	49	48
BIRMINGHAM	9,753	9,978	+ 2.3	2,017	1,946	21,858	20,967
BRADFORD	3,453	3,441	- 0.3	923	765	7,054	7,002
BRISTOL	5,508	5,571	+ 1.1	1,275	1,267	10,902	10,999
HULL	3,725	3,454	- 7.2	812	744	7,746	7,065
LEEDS	4,407	3,911	- 11.2	1,020	878	9,446	9,368
LEICESTER	2,837	2,805	- 1.1	680	641	6,200	5,997
LIVERPOOL	22,847	20,297	- 11.1	5,838	4,756	47,668	41,627
MANCHESTER	40,992	39,157	- 4.4	8,500	8,509	84,742	78,516
NEWCASTLE	7,041	6,793	- 3.5	1,672	1,400	14,008	13,038
NOTTINGHAM	2,256	1,984	- 12.0	444	379	4,637	4,238
SHEFFIELD	5,110	4,544	- 11.0	863	735	10,478	9,133
Total: 11 Towns.	107,929	101,935	- 5.5	24,044	22,020	224,739	207,950
DUBLIN	...	...	...	5,873	5,727	47,850	51,562

† 8 calendar weeks.

MONEY RATES

LONDON

	Feb. 23, 1939	Feb. 24, 1939	Feb. 25, 1939	Feb. 27, 1939	Feb. 28, 1939	Mar. 1, 1939	Mar. 2, 1939
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bank's drafts	17½	17½	17½	17½	17½	17½	17½
3 months' do.	17½	17½	17½	17½	17½	17½	17½
4 months' do.	17½	17½	17½	17½	17½	17½	17½
6 months' do.	17½	17½	17½	17½	17½	17½	17½
Discount Treasury Bills							
2 months'	17½	17½	17½	17½	17½	17½	17½
3 months'	17½	17½	17½	17½	17½	17½	17½
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
Discount houses at call	12	12	12	12	12	12	12
At 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
1939	%	%	%	%	%	%	%
Feb. 2...	12-1	17½	17½	17½	2½-3	2½-3	2½-3
" 9...	12-1	17½	17½	17½	2½-3	2½-3	2½-3
" 16...	12-1	17½	17½	17½	2½-3	2½-3	2½-3
" 23...	12-1	17½	17½	17½	2½-3	2½-3	2½-3
Mar. 2...	12-1	17½	17½	17½	2½-3	2½-3	2½-3

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Mar. 2, 1938	Feb. 1, 1939	Feb. 8, 1939	Feb. 15, 1939	Feb. 22, 1939	Mar. 1, 1939
Call money	114	112	112	112	112	112
Time money (90 days' mixed coll.)	114	112	112	112	112	112
Bank acceptances	114	112	112	112	112	112
Members—eligible, 90 dys.	114	112	112	112	112	112
Non-mem.—eligible, 90 dys.	114	112	112	112	112	112
Commercial accept., 90 dys.	114	112	112	112	112	112

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Feb. 24, 1939	Feb. 25, 1939	Feb. 27, 1939	Feb. 28, 1939	Mar. 1, 1939	Mar. 2, 1939
New York, \$..	4.862½	4.68½	4.69	4.68½	4.68½	4.68½	4.68½
Montreal, \$..	4.862½	4.70½	4.70½	4.70½	4.70½	4.70½	4.70½
Paris, Fr.	124.21	176½	176½	176½	176½	176½	176½
Brussels, Bel....	35.00a	27.86-89	27.86-90	27.86-91	27.86-91	27.86-91	27.86-91
Milan, L.	92.46	89-89½	89-89½	89-89½	89-89½	89-89½	89-89½
Zurich, Fr.	25.22½	20.62-66	20.62-66	20.62-66	20.62-66	20.62-66	20.62-66
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'dm, Fl.	12.107	8.79-82	8.80-84	8.80-85	8.80-85	8.80-85	8.80-85
Berlin, Mk.	20.43	11.67-70	11.67-70	11.67-71	11.67-70	11.67-70	11.67-70
Br. India Rup.	† 18d.	59-64	58-63	57-62	57-62	56½-61½	55½-60½
Hong Kong, \$..	† ...	14½-15	14½-15	14½-15	14½-15	14½-15	14½-15
Shanghai, \$..	† ...	7½-8½	7½-8½	7½-8½	7½-8½	7½-8½	7½-8½
Rio, Mil.	† 5.899d.	31½-32	31½-32	31½-32	31½-32	31½-32	31½-32
B. Aires, \$...	11.45	39	38	37	36	35	34
Valparaiso, \$..	40	17.13h	17.13h	17.13h	17.13h	17.13h	17.13h
Montevideo, \$..	† 15d.	18-19	18-19	18-19	18-19	18-19	18-19
Lima, Sol.	17.38	22½	22½	22½	22½	22½	22½
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.	25½-34	25½-34	25½-34	25½-34	25½-34	25½-34
Moscow, Rbls.	...	24.85h	24.85h	24.85h	24.85h	24.85h	24.85h

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 £	February 24, 1939	March 1, 1939	March 2, 1939
Helsingfors, M.	193.23	226½-227	226½-227	226½-227
Madrid, Pt.	25.22½	100-300	100-300	100-300
Lisbon, Esc.	110	110-110½	110-110½	110-110½
Budapest, Pen.	27.82	23½-24½	23½-24½	23½-24½
Prague, Kc.	136½	136½-137½	136½-137½	136½-137½
Danzig, Gul.	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	650-670	650-670	650-670
Istanbul, Pst.	110	580*	580*	580*
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, 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	19.85-95	19.85-95	19.85-95
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, S.	† 28d.	27½-28	27½-28	27½-28
Batavia, F.	12.11	8.78-81½	8.80-84	8.79-82
Bangkok, Baht.	† 21.82d.	22½-51½	22½-51½	22½-51½

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	Feb. 24, 1939	Feb. 25, 1939	Feb. 27, 1939	Feb. 28, 1939	Mar. 1, 1939	Mar. 2, 1939
New York cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	7½-8½	7½-8½	7½-8½	7½-8½	7½-8½	7½-8½
2 "	13½-14½	13½-14½	13½-14½	13½-14½	13½-14½	13½-14½
3 "	13½-14½	13½-14½	13½-14½	13½-14½	13½-14½	13½-14½
Paris, francs	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	Par-1½	Par-1½	Par-1½	Par-1½	Par-1½	Par-1½
2 "	14-15	14-15	14-15	14-15	14-15	14-15
3 "	14-15	14-15	14-15	14-15	14-15	14-15
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	1½-Par	1½-Par	1½-Par	1½-Par	1½-Par	1½-Par
2 "	3½-4	3½-4	3½-4	3½-4	3½-4	3½-4
3 "	14-15	14-15	14-15	14-15	14-15	14-15
Brussels, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	2-4	7-11	15-20	15-20	10-15	12-15
2 "	7-9	15-19	25-30	25-30	23-28	22-27
3 "	16-18	22-26	43-48	40-50	33-38	32-37
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	3-1	2½-11½	3-1	3-1	3-1	3-1
2 "	5-3	7-5	5-3	5-3	5-3	5-3
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	Feb. 23, 1939	Feb. 24, 1939	Feb. 25, 1939	Feb. 27, 1939	Feb. 28, 1939	Mar. 1, 1939
London:—						
60 days	468½	468½	468½	468½	468½	468½
Cables	468½	469½	469½	469½	468½	468½
Demand	468½	469	469½	469	468½	468½
Paris, fr.	2.64½	2.65	2.65½	2.65	2.65½	2.65½
Brussels, Bel.	16.82½	16.83	16.83	16.82	16.82½	16.83
Switzerland, Fr.	22.74	22.73	22.74	22.75½	22.74½	22.73
Italy, Lira.	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼
Berlin, Mark.	40.13	40.13	40.13	40.13	40.13	40.13
Amsterdam, Gld.	53.31	53.20	53.12	53.20	53.12½	53.08
Copenhagen, Kr.	20.94	20.94½	20.95	20.95	20.93	20.93½
Oslo, Kr.	23.57	23.57½	23.58	23.58	23.56	23.56½
Stockholm, Kr.	24.15	24.15½	24.17	24.16	24.14	24.14½
Athens, Dr.	0.86	0.86	0.86½	0.86½	0.86½	0.86½
Montreal, Can. \$..	99.530	99.650	99.680	99.650	99.625	99.590
Yokohama, Yen.	27.34	27.36	27.37	27.36	27.34	27.35
Shanghai, \$	16.00	16.00	15.92	16.00	16.00	16.00
B. Aires, Pso.	29.09	29.10	29.11	29.10	29.08	29.09
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 :	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Rhodesia	100	5	0	100	10	3	100	18	6	101	6	9	102	7	0
S. Africa	100	17	6	101	2	9	101	11	0	101	19	3	102	7	6

Transit Receipts†....	7 Feb. 20	£ 244,100	—	£ 30,300	£ 1,241,800	—	£ 162,300
-----------------------	-----------	-----------	---	----------	-------------	---	-----------

† 10 days.

		1939					
Antofagasta	8	Feb. 26	\$11,480	- 9,060	100,110	- 44,540	
Argentina N.H.	25		\$131,700	19,400	5,439,900	205,000	
			\$8,170	1,204	337,462	12,715	
B.A. and Pacific	34		\$1,820,000	10,000	45,925,000	1,783,000	
B.A. Central	25		\$112,903	620	2,848,950	110,000	
B.A. Gt. Southern	33		\$62,900	49,000	3,537,200	55,900	
B.A. Western	34		\$406,000	976,000	77,825,000	5,459,000	
			\$149,250	50,545	4,827,283	726,612	
B.A. Western	34		\$729,000	114,000	24,272,000	1,371,000	
			\$45,223	7,072	1,505,706	85,051	
Central Argentine ...	34		\$2,003,750	125,950	64,131,450	6,343,300	
			\$124,302	7,813	3,978,378	393,507	
Central Uruguayan ..	33		\$190,543	5,916	5,406,455	233,049	
			\$220,057	1,459	616,564	18,739	
Leopoldina	8		\$138,800	500,000	14,044,000	115,000	
Mexican Railway	7		\$16,714	4,683	169,430	11,266	
Nitrate	6		\$51,245	3,073	14,118	10,629	
United of Havana ...	34		\$47,204	5,773	671,337	64,384	

Company	Months	Ending	Receipt for Month		Aggregate Receipts	
			1938/39	+ or -	1938/39	+ or -
Brazilian Traction	1	Jan. 31	Gross \$3,249,267	+ 213,113	...	...
			Net \$1,604,482	- 72,600	...	...
Canadian Pacific	1	Jan. 31	Gross \$9,699,000	- 616,000	...	...
			Net \$461,000	- 96,000	...	...
Int. Rlys. Cent. Amer.	1	Jan. 31	Gross \$548,273	+ 61,132	...	...
			Net \$138,263	- 27,736	...	...
Manchester Ship Canal.	1	Jan. 31	Gross £98,986	- 211	...	...

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														
Bank of Australasia ...	4½†	8	Mar. 31	%	Grassmoor Company	...	10	...	15	Tinsley Park Colliery	(a) 2½*	%	...	%
Bk. of Nova Scotia ...	3	...	Apr. 1	3	Harrison Barber	...	4	...	5	Tizer	15†	22½	...	22½
TEA & RUBBER														
Hope Tea	5*	...	Mar. 17	5*	Harringtons, etc.	...	12½	...	12½	Tyneside Investment	...	3	...	5*
Itakhoohi Tea	2½*	...	Mar. 7	...	Hoover, Ltd.	20†	25	...	25	United Dairies	5*	...	...	5*
Java Rubber	...	4-16	Mar. 24	9	International Paint	16†	20	Mar. 31	...	U.S. Investment	4†	6	...	15
Pant-Brus Rubber	7½*	...	Mar. 21	10*	Irrawaddy Flotilla	5†	7½	...	7½	Valor Co.	...	5	...	6
Rangoon Rubber	...	4-17	Apr. 11	6¼	Java Investment, etc.	3†	5	...	8	Viscos Development	3*	7	Mar. 31	3½*
MINING														
Kramat Puling	2½*	...	Mar. 16	20*	King (Geo. W.)	...	15	...	10	Ward (Thos. W.)	3*	...	Mar. 31	4*
Nundydroog	27½†	47½	Apr. 5	65	Lancashire Steel	...	7	...	7	Warwick & Richardson	3*	...	Mar. 31	8
INDUSTRIALS														
Bairds & Dalmellington	12†	16	...	16	Leyland Rubber	2½*	...	...	2½*	Waste Heat and Gas	5½†	8	...	8
Booth (James)	...	(a) 15	...	15	Mersey Power	...	8	...	8	Wigan Coal	...	2½	...	Nil
Bournemouth Electric	9†	15	...	15	Mid-Cheshire Electric	...	8	...	8	Wolsey, Ltd. 'A' Ord.	...	1½	...	Nil
Bright and Colson	...	5	...	7	Morley (I. and R.)	...	3	...	5	Do. 'B' Ord.	2.7½	...	Nil	Nil
British Automatic	...	4	...	4	Moss Empires	5†	10	...	10*	Worthington Simpson	7	...	Pence	3-959
British Xylonite	...	5	...	10	National Gas, etc.	...	3½	...	4	UNIT TRUSTS	Pence	...	Mar. 15	22.2
Brown Bayley's Steel	5*	...	...	15*	North Eastern Elec.	4½†	7	...	7	National "C"	...	...	Mar. 15	22.2
Cable & Wireless Hold- ing (Pref.)	2½	5½	Mar. 31	5½	Parnall Aircraft	5*	...	Mar. 18	Nil	Brit. Empire Compre- hensive	£2.4	...	Mar. 15	...
Courage and Co.	12†	18	...	20	Ransome and Marles	9*	...	Mar. 15	9*	Gold Share Trust	£37(b)	...	Feb. 28	...
Crabtree Electrical	...	3	...	5*	Richmond (Surrey) El.	4	7	Mar. 29	7	£ Free of income tax. (a) On increased capital	...	...	...	...
Dublin Tramways	10†	16	...	16	Rivet, Bolt and Nut	...	10	Mar. 22	10	(b) Net per 25 units for initial period October 10	...	...	...	...
Ellis and Goldstein	5*	...	...	5*	Ruberoid	4†	7	...	7	1938, to February 4, 1939.	...	...	...	...
Fleming and Ferguson	10†	...	Apr. 1	16	St. James' Court	...	1	...	2	LANCASHIRE STEEL CORPORATION.				
Folkstone Electric	6†	10	...	10†	Second Alliance Trust	9*	...	Mar. 15	9*	Ordinary dividend for 1938, 7 per cent. (the same).				
Gallagher, Ltd.	(a) 20†	(a) 27½	...	27½	Staveley Coal, etc.	2½*	...	Mar. 31	3*	PARNALL AIRCRAFT. —Interim dividend on				
Globe (A. W.)	12½†	15	...	15	Stevenson (Hugh)	5*	13½	...	8½	ordinary shares is 5 per cent., against nil.				
Globe Telegraph, etc.	11¼*	...	...	11¼*	Stone (J. and F.)	5†	8	Mar. 18	5*	STAVELEY COAL AND IRON. —Tax-free				
					Swears and Wells	5†	8	...	8	interim dividend is reduced from 3 to 2½ per cent.				
					Switchgear & Cowans	...	20	...	20					
					Tata Power	2½*	...	...	2½*					

Enfield Cable Works.—Profit for 1938, £208,145, against £203,944. To deprecia-

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

ONE HUNDRED AND TWENTY-THIRD REPORT OF THE BOARD OF DIRECTORS
to the Ordinary Yearly General Meeting of Shareholders, held at the
Offices of The Hongkong and Shanghai Banking Corporation, 1 Queen's Road
Central, Hongkong, on Saturday, the 25th February, 1939, at 11.30 a.m.

GENTLEMEN:—The Directors have now to submit to you a General Statement of the affairs of the Bank, and Balance Sheet for the year ending 31st December, 1938.

The net profits for the year, together with \$3,383,040.53, balance brought forward from the previous year, after paying all charges, deducting interest paid due, and making provision for bad and doubtful accounts and contingencies, amount to \$18,679,625.85.

The Directors recommend writing off Bank Premises Account the sum of \$1,000,000.

After deducting \$1,000,000, the Interim Dividend of £2 10s. 0d. per share, paid on 8th August last, viz.:—£400,000 at 1/2% = \$6,453,781.51, and remuneration to Directors, there remains for appropriation \$11,145,172.08, out of which the Directors recommend the payment of a final Dividend of $\frac{1}{3}$ per Share, viz., £480,000, which, at 1/2%, the rate of the day, will absorb \$7,744,537.82.

The Balance \$3,400,634.26 to be carried to New Profit and Loss Account.

The Accounts have been audited by Mr. JOHN FLEMING, C.A., and Mr. H. R. FORSYTH, C.A., who offer themselves for re-election.
T. E. PEARCE,
Hongkong, 8th February, 1939. *Chairman.*

		31st December, 1938			
LIABILITIES		Sterling Equivalent		Dollars	
		£	s. d.		
Authorised Capital :—					
400,000 Shares of £125 each	\$50,000,000				
Issued and Paid-up Capital :—					
160,000 Shares of £125 each		1,238,563	6 8		20,000,000-00
Reserve Liability of Shareholders :—					
£125 per Share on 160,000 Shares					
issued	\$20,000,000				
Sterling Reserve		6,500,000	0 0		104,873,849-58
Hongkong Currency Reserve		619,781	13 4		10,000,000-00
Notes in Circulation :—					
Authorised Note Issue against Securities					
deposited with the Crown Agents for the					
Colonies		1,859,375	0 0		30,000,000-00
Excess Note Issue against Hongkong Government					
Certificates of Indebtedness		11,192,143	7 6		180,579,120-00
Current Accounts		44,881,235	5 8		724,134,216-31
Fixed Deposits		9,181,446	2 5		148,137,618-00
Bills Payable :—					
(Including Call Loans and Short Sight Drawings					
on London Office and Drafts on London					
Bankers)		1,327,014	3 10		21,410,649-12
Acceptances on Account of Constituents		158,701	17 3		2,580,567-88
Profit and Loss Account		752,747	12 10		12,145,172-00
Liability on Bills of Exchange re-amounting					
£2,389,587 7s. 5d., of which £2,316,976 0s. 4d.					
have been run off.					
		£77,712,038	9 6	\$1,253,841,293-07	

Dr.		31st December, 1938	
To	Dollars	To	Dollars
To Interim Dividend:—			
Paid on 8th August, 1938, of £2 10 0 per Share on			
160,000 Shares = £400,000 at 1/2½ =			\$6,453,781·51
To Balance to be Appropriated:—			80,672·28
To Final Dividend:—			
Of £3 per Share on 160,000 Shares = £480,000 at 1/2½ = \$7,744,537·82			
Transfer to Bank Premises Account	1,000,000·00		
To Balance forward to next year	3,400,634·28		
			<u>12,145,172·08</u>
			<u>\$18,679,625·85</u>
Cr.			
By Balance of Undivided Profits, 31st December, 1937 ...	\$3,383,004·53		
By Amount of Net Profits for the Year ending 31st			
December, 1938, after making provision for bad and			
doubtful debts and contingencies, deducting all			
Expenses and Interest paid and due	15,296,621·32		
			<u>\$18,679,625·85</u>
			<u>\$18,679,625·85</u>

Dr.		Sterling	
To Balance	£8,500,000	0	0
Cr.		Sterling	
By Balance 31st December, 1937	£8,500,000	0	0
 HONGKONG CURRENCY RESERVE 			
Dr.		Dollars	
To Balance	\$10,000,000		
Cr.		Dollars	
By Balance 31st December, 1937	\$10,000,000		

Sterling Exchange taken at 1/27.

HONGKONG, 8th February, 1939.

A. S. ADAMSON, *Chief Accountant.*

T. E. PEARCE, J. J. PATERSON, A. L. SHIELDS, *Directors*

JOHN FLEMING } Chartered Accountants.
H. R. FORSYTH }
Auditors.

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) ~~Share~~ 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 4½% basis. (i) Based on payment of 2½%. (j) Redemption at par, in year shown. (k) Yield worked on 2% basis. (l) Yield worked on 10% basis. (m) Yield worked on a 5½% basis. (n) Yield worked on a 14% basis. (o) Yield worked on 2.9225 basis.
(p) Yield based on 40% of coupon. † Free of Income Tax. (q) Yield based on 47% of coupon. (r) Yield on 2.9225 basis. (s) 1% paid free of income tax.

* Bid and offered prices are free of income tax. † Free of income tax. (i) Yield worked on 6% basis.
(m) Including bonus of 5% free of tax. (p) Annas per share. (q) 8½% paid free of income tax.
(r) Allowing for rate of exchange.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Prefce. Amount	Dividend		Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
						Amount	Rate				
Breweries											
Cannon Brewery	Dec. 31	£ 217,266	£ 291,004	£ 508,270	£ 138,000	£ 56,000	% 8	£ 100,000	£ 214,270	£ 312,035	% 10
Reid (W. B.) and Company...	Dec. 31	20,920	23,144	44,064	...	16,675	10	6,433	20,956	23,195	10
Taylor, Walker & Co.	Dec. 31	141,484	284,009	425,493	...	233,370	9	50,000	142,123	313,191	10
Electric Lighting, etc.											
Llanelli and District	Dec. 31	1,976	83,160	85,136	25,230	23,925	5½	34,000	1,981	82,280	5½
Metropolitan Electric	Dec. 31	161,826	615,241	777,067	22,500	360,000	12	263,115	131,452	641,192	12
Midland Counties Electric...	Dec. 31	14,993	372,945	387,938	117,812	174,000	8	80,964	15,162	332,289	8
Northampton Electric	Dec. 31	26,656	234,050	260,706	2,625	95,700	11	129,538	32,843	230,424	10
Scottish Power	Dec. 31	10,695	372,102	382,797	126,388	220,400	8	24,800	11,209	368,301	8
Financial Land, etc.											
Artizans', etc., Dwellings ...	Dec. 31	56,783	178,880	235,663	38,516	89,251	7	50,403	57,493	182,086	7
Cordova Land	Dec. 31	23,316	26,586	49,902	...	14,706	2(s)	6,000	29,196	35,282	2½
Gas											
Newport (Mon.) Gas	Dec. 31	3,878	13,821	17,699	...	13,700	5	Dr. 950	4,949	13,700	5
York Gas	Dec. 31	9,635	13,100	22,735	1,450	13,412	5	1,393	6,480	17,007	5
Iron, Coal and Steel											
Clarke, Chapman and Co.	Dec. 31	19,890	94,533	114,423	4,890	45,656	10	35,943	27,934	90,838	10
Fife Coal	Dec. 31	117,907	276,031	393,938	15,146	134,682	11½	120,000	124,110	290,368	12½
Shipping											
Lampport and Holt Line	Dec. 31	40,896	50,618	91,514	...	35,712	4	26,140	29,662	172,152	5
Shops and Stores											
Evans (D. H.) and Company	Jan. 31	36,681	135,801	172,482	12,000	117,000	13	13,180	30,302	131,779	12
Garage (A. W.)	Jan. 31	81,565	95,847	177,412	9,625	75,000	15	8,893	83,894	99,714	15
Harrods, Ltd.	Jan. 31	189,749	819,994	1,009,743	300,000	354,431	16	171,803	183,509	877,911	18½
Robinson (Peter)	Jan. 31	21,131	68,974	90,105	36,250	20,000	4	10,880	22,975	68,308	4
Textiles											
Ellis and Goldstein	Nov. 30	3,518	16,961	20,479	3,262	8,700	16	2,015	6,502	(a)	(a)
Henry (A. & S.)	Dec. 31	50,142	11,992	62,134	3,625	...	...	7,000	51,509	70,409	4½
Morley (I. and R.)	Dec. 31	37,173	88,333	125,506	35,000	27,000	3	25,000	38,506	116,095	5
Samnugger Jute	Dec. 31	68,198	Dr. 5,418	62,780	6,525	26,100	6	Dr. 10,000	40,155	33,157	10
Titaghur Jute	Dec. 31	23,987	Dr. 17,048	6,939	6,525	26,100	6	Dr. 35,000	9,314	34,894	10
Victoria Jute	Dec. 31	31,303	Dr. 562	30,741	6,525	17,400	6	Dr. 10,000	16,816	25,833	10
Wolsey, Ltd.	Dec. 31	34,114	84,112	118,226	35,344	8,156	(d)	38,867	35,859	110,719	Nil
Woolcombers, Ltd.	Dec. 31	66,720	111,226	177,946	15,750	85,000	21½	...	77,196	114,948	21½
Tramways, etc.											
West Riding Automobile ...	Dec. 31	19,451	126,589	146,040	10,062	23,767	10	93,115	19,096	122,048	10
Trusts											
American Trust	Jan. 31	17,020	36,379	53,399	17,400	13,920	6	5,000	17,079	45,670	7
British and German	Dec. 31	55,804	35,460	91,264	34,438	...	...	...	56,826	39,266	Nil
City Property Investment	Jan. 31	4,148	11,136	15,284	4,762	4,722	13	707	5,093	12,171	13
Edinburgh and Can. Trust	Jan. 15	3,862	6,683	10,545	6,250	...	...	...	4,295	7,470	Nil
Fourth Conversion	Jan. 31	6,232	(e) 15,177	21,409	...	17,424	2½	...	3,985	(a)	(a)
Greenfriar Investment	Jan. 31	6,317	29,169	35,486	...	24,469	4½	...	11,017	30,084	4½
Merchants Trust	Jan. 31	76,784	80,363	157,147	32,500	45,140	7½	...	79,507	89,759	7½
Scottish Central	Jan. 15	26,767	35,813	62,580	21,956	10,246	3½	5,000	25,378	45,963	3½
Scottish Northern	Feb. 5	30,501	63,424	93,925	14,224	42,115	12½	...	37,586	52,133	12½
Second Conversion	Jan. 31	2,153	(e) 5,562	7,715	...	6,224	2½	...	1,491	(a)	(a)
Waterworks											
Bristol Waterworks	Dec. 31	56,693	157,307	214,000	68,002	77,118	6½	20,000	48,880	164,277	6½
Sutton District Water	Dec. 31	6,102	62,719	68,821	10,788	39,515	20 & 7	12,000	6,518	52,070	20 & 7
Other Companies											
Anglo-American Asphalt ...	Dec. 31	17,767	37,415	55,182	...	31,809	32½	...	23,373	37,912	32½
City Safe Deposit, etc.	Dec. 31	5,368	4,715	10,083	1,300	1,875	7½	1,620	5,288	4,912	7½
Gallaher, Ltd.	Dec. 31	181,137	461,111	642,248	47,125	283,703	27½	122,867	188,553	430,859	27½
H.P. Sauce	Dec. 31	76,132	202,211	278,343	13,195	141,684	30	45,000	78,464	209,212	30
London Brick Company	Dec. 31	80,000	584,000	664,000	32,000	400,000	20	150,000	82,000	586,489	20
McCrae and Drew	Dec. 31	14,291	13,141	27,432	...	9,570	6	3,440	14,422	17,378	9
Pascall (James)	Dec. 24	12,078	43,424	55,502	22,941	4,217	47.3	11,573	16,771	33,406	16
Peerless Kitchen Cabinets...	Dec. 31	5,984	8,823	14,807	5,200	5,000	10	2,641	1,966	10,147	10
Selincourt and Sons	Nov. 30	51,094	16,467	67,561	17,500	...	...	1,200	48,861	(a)	(a)
Smith & Nephew Associated	Dec. 31	23,545	94,617	118,162	...	60,417	16½	13,500	44,245	(a)	(a)
Temperance Billiard Halls...	Dec. 31	16,141	14,355	30,496	...	8,156	5	5,000	17,340	13,140	5
Tremletts, Ltd.	Dec. 31	6,153	9,010	15,163	...	6,960	8	...	8,203	5,706	5
Variety Theatres Cons.	Dec. 31	11,515	8,168	19,683	4,003	...	...	3,799	11,881	19,327	Nil
Vyse, Sons and Company ...	Nov. 30	6,986	4,282	11,268	7,250	...	...	...	4,018	13,759	2½
West Ham Stadium	Dec. 31	7,375	38,975	46,350	16,000	20,500	82	...	9,850	41,879	82
Total Profits, 1939, in £'000's:											
To February 25	No. of Cos. 314	14,728	41,584	56,312	6,614	27,430	...	6,631	15,637	44,324	...
To March 4	364	16,981	47,981	64,962	7,943	30,908	...	8,261	17,850	50,797	...

† Free of income tax. (a) No comparable figure. (d) Represents 1½ per cent. on "A" ordinary shares at 2.7d. per share on "B" ordinary. (e) From September 1, 1938, to January 31, 1939. (g) Absorbed £266,805. (s) Paid on Income Stock.

OIL OUTPUTS

British Controlled Oilfields, Ltd.—Total output, week ended February 11, 1939, 13,256 barrels. Total output week to February 18, 1939: 12,847 barrels.

Phoenix Oil and Transport Co., Ltd.—The output of crude oil of the Phoenix Group for January, 1939, was 45,787 tons.

Lobitos Oilfields, Ltd.—Output of Peruvian company for January, 1939, 28,060 tons.

Kern Oil Company, Ltd.—The total output of the company and its subsidiaries during January, 1939, was 221,530 barrels, or approximately 31,647 tons. As from January 10th the company's production in California has been further curtailed in accordance with the general voluntary restriction plan agreed to by the operators in that State.

Dacia Romano Petroleum Syndicate Ltd.—Gross output, January, 1939: Dacia 1,599 tons; Perimeter X, 2,505 tons; Starnapha, 527 tons.

Premier (Trinidad) Oilfields, Ltd.—Output six months to January 31st, 27,385 barrels, including January production of 7,017 barrels.

Trinidad Petroleum Development Co., Ltd.—Output for week ended February 11, 1939, 56,853 barrels. Output for week ended February 18, 1939: 54,140 barrels.

Venezuelan Oil Concessions, Ltd.—Total output, week ended February 18, 1939: 1,075,801 barrels.

Industry and Trade
COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended		January	
	Feb. 11, 1939	Feb. 18, 1939	1938	1939
Northumberland	303.5	301.9	1,163.8	1,148.6
Durham	667.4	676.0	2,775.9	2,640.5
Yorkshire	962.4	941.0	4,034.2	3,975.6
Lancs., Cheshire and N. Wales	368.0	370.4	1,478.8	1,501.2
Derby, Notts & Leicester	748.1	729.2	3,246.3	2,235.3
Staffs., Worcs. & Salop	434.7	424.2	1,808.8	1,849.8
South Wales & Monmouth	694.8	713.3	3,329.5	3,014.1
Other English districts*	119.3	116.4	491.6	469.6
Scotland	637.8	644.7	2,503.3	2,522.4
Total	4,936.0	4,917.1	20,832.2	20,357.1

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton				
RAW COTTON delivered to Spinners ('000 bales)				
Variety	Week ended		Total Deliveries	
	Feb. 17, 1939	Feb. 25, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	19.7	21.4	768	594
Brazilian	6.7	6.9	194	164
Peruvian, etc.	2.8	2.7	78	64
Egyptian	9.7	8.1	209	175
Sudan, Sakel	1.8	2.4	95	85
East Indian	11.6	7.8	191	211
Other countries	2.9	2.4	112	94
Total	55.2	51.7	1,647	1,387

Metals				
SALES ON LONDON METAL EXCHANGE				
	Week ending		From Jan. 1 to Mar. 1, 1939	
	Feb. 22, 1939	Mar. 1, 1939	1 to Mar. 1, 1939	
Copper	6,800	6,650	53,250	
Fin.	965	1,205	11,900	
Lead	4,300	7,450	51,750	
Spelter	2,800	3,475	29,545	

U.K. STOCKS

BRITISH WHOLESALE PRICES

Feb. 22, Mar. 1, 1939				Feb. 22, Mar. 1, 1939				Feb. 22, Mar. 1, 1939			
CEREALS AND MEAT				SUGAR (per cwt.)—cont.				MISCELLANEOUS			
GRAIN, etc.—				Cubes				GOLD, per fine ounce			
Wheat—				Crushed				SILVER (per ounce)—			
No. 2, N. Man. 496 lb.				Granulated				Cash			
Eng. Gaz. av., per cwt.				Home Grown							
Liv. Mar., per cental				TEA* (Auction Average) (per lb.)							
Flour, per 280 lb.—				N. India							
Straights, d/d London				S. India							
Manitoba, ex store				Ceylon							
Barley, Eng. Gaz., av. per cwt.				Java							
Oats				Sumatra							
Maize, La Plata, landed, 480 lb.				Africa							
Rice, No. 2 Burma, per cwt.				Total							
MEAT—				TORACCO (per lb.)							
Beef, per 8 lbs.				Virginia stemmed and un-							
English long sides				stemmed, common to fine							
Argentine chilled hinds				Rhodesian stemmed and un-							
Mutton, per 8 lb.				stemmed							
English wethers				Nyassaland stemmed and un-							
N.Z. frozen wethers				stemmed							
Lamb, per 8 lb.				Bist Indian							
N.Z. frozen				Stemmed							
Pork, English, per 8 lb.				Unstemmed							
BACON (per cwt.)—				COTTON (per lb.)—							
English				Raw, Mid-American							
Danish				Sakellaridis, F.G.F.							
Dutch				Giza, F.G.F.							
Irish				Yarns 32's Twist							
HAMS (per cwt.)—				40's Twist							
Canadian				60's Twist (Egyptian)							
United States				Cloth, 32 in. Printers, 116 yds.							
				16x16, 32's & 50's							
				36 in. Shirtings, 75 yds.							
				19x19, 32's & 40's							
				38 in. ditto, 38 yds.							
				18x16, 10 lb.							
				39 in. ditto, 37 1/2 yds.							
				16x15, 8 1/4 lb.							
				FLAX (per ton)—							
				Livonian ZK							
				Pernau HD							
				Slanzet Medium, 1st sort							
				HEMP (per ton)—							
				Italian PC							
				Manilla, Feb.-Apr. "J2"							
				JUTE (per ton)—							
				Native 1st mks., c.i.f. H.A.R.B.							
				Mar.-Apr.							
				Daisee 2/3 c.i.f. Dundee							
				Mar.-Apr.							
				SISAL (per ton)—							
				African, Mar.-May							
				SILK (per lb.)—							
				Canton							
				Japan							
				Italian, raw, fr. Milan							
				WOOL (per lb.)—							
				English, Southdown, greasy							
				Lincoln hog, washed							
				Queensland, scd. super combg.							
				N.S.W. greasy, super combg.							
				N.Z., greasy, half-bred 50-56							
				Crossbred 40-44							
				Tops							
				Merinos 70's average							
				64's							
				Crossbred 48's							
				46's							
				MINERALS							
				COAL (per ton)—							
				Welsh, best Admiralty							
				Durham, best gas, l.o.b. Tyne							
				Sheffield, best house, at pits							
				IRON AND STEEL (per ton)—							
				Pig, Cleveland No. 3, d/d							
				Bars, Middlesbrough							
				Steel rails, heavy							
				Timplates							
				NON-FERROUS METALS (per ton)							
				Copper							
				Standard cash							
				Three months							
				Tin							
				Standard cash							
				Three months							
				Lead, soft foreign							
				Cash							
				English, pig							
				Spelter, G.O.B.—							
				Spot							
				Aluminium, ingots and bars							
				rolling billets							
				Nickel, home and export							
				Antimony, Chinese							
				Wolfram, Chinese							
				Platinum, refined							
				Quicksilver							

industries making sales at home have arisen. With a wealth of figures, diagrams and examples, the present pattern of industrial development is clearly shown.

The trouble is that it is a disorderly and dangerous pattern. It is costly and wasteful, because social distress, the wastage of land, and the destruction of amenities are its consequences. Even from the viewpoint of the individual business man who makes profits under the present system, it is doubtful whether, with its chaotic consequences which throw heavy burdens upon rates and taxes, it is an outstandingly advantageous pattern. It is certainly not a "natural" pattern, as some adherents of *laissez-faire* doctrines still contend. The truth is, on the contrary, that the present state of affairs is largely due to official interferences; to tariffs and subsidies; to marketing schemes; to policies to protect particular industries; to the activities of local authorities armed with grants-in-aid; to road and housing development; and to the spread of public utilities.

There can be no question that the immediate problem is to co-ordinate and plan these State interferences, direct and indirect, so that their impact upon the nation's economy does social good in place of social harm. This in itself involves no new principle. It simply entails doing well and wisely what is now done piecemeal and inefficiently. But more than that is needed. It is clearly necessary to introduce fresh interferences by authority where public health, public wealth or public safety seems to require it. To say this is simply to ask for a much-needed extension of the State's present powers to abate proven nuisances.

It would be folly to call upon the Government to arrest the processes of economic change that are now well under way. It would be folly because these changes have already begotten great wealth, and the national income has lately been growing at least as rapidly as ever before. What is wanted is an earnest search for means to ease those processes. The State has already undertaken, in its social services, to cushion the consequences of economic dislocation and, in its fiscal policy, to protect basic industries from the wintriest blasts of competition and decline. What is needed now is that State policy in all these ways shall be single-minded and effective. At present the location of industry is blind. The right hand of the nation does not know what the left hand is doing.

Backed as it is by the most precise analysis yet made of the facts of industrial location, P.E.P.'s plan to end this state of indifference is worthy of the closest attention. It falls into two parts. In the first place it calls for methods of research and publicity by some central body which will open the eyes of industrialists, State departments and public corporations to the "locational" consequences of the policies they intend. In the second place it calls for the extension of the powers of financial inducement at present possessed by the Commissioners for the Special Areas, for their defined districts alone, to the whole country—at least *in posse*. Finally, a sanction is to be added: every proposal to establish or extend a factory will need to come before the Industrial Development Commission, proposed to carry out the tasks of research, publicity, advice and encouragement for licensing. The sanction of licensing will have two strictly limited purposes: to pass in continuous review the whole process of industrial extension, movement and transfer; and to provide a sort of State policeman to curb the activities of what P.E.P. has happily dubbed "economic pirates," whose readiness to sacrifice communal income to obtain a greater individual material income can no longer be tolerated. The big stick is to be kept firmly in the background; and the conclusion of the report that the first object of policy should be to ensure to existing industries a peaceful and prosperous existence will be widely and rightly welcomed. The measure of P.E.P.'s wisdom is the practicability of these proposals.

Not a few enthusiasts for national welfare will hold that P.E.P.'s investigators have been pusillanimous, and that the

temperate character of the policy they propose does not do justice to the disorderly evils their inquiry so starkly reveals. In so far as there are grounds for this disappointment, there is still time for the rumoured recalcitrant minority of the Royal Commission to fly the kite of root-and-branch reform more boldly. It certainly cannot be assumed that P.E.P.'s moderation will in fact be tenable: circumstances may yet compel a stronger line. Between 80 and 90 per cent. of licences, P.E.P. conjectures, will be mere formalities, but it remains to be seen whether the wholesale granting of letters of marque, supplemented by the high-pressure information service the Commission is to provide, can convert piracy into law-abidingness. P.E.P.'s plan has this virtue: it is immensely flexible, and, without any alteration in machinery, the big stick could be brought much more into the foreground.

It is not possible in the short space of a single article to pass upon all the practical details of P.E.P.'s plan. The proposed Commission would protect precious fertile land and indispensable amenities as jealously as the Office of Works preserves ancient monuments; it would try to forestall the advent of new Special Areas by encouraging the maximum regional diversification of industries, through trading estates and the creation of new institutions to furnish capital to new enterprise. The chief fruit of its labours would be the creation of a single national policy, informing private and public enterprise alike and correlating all departmental activities. That would indeed be a long stride forward.

But more even than a national policy is needed. All policies must be applied at a place, and the local machinery for planning is as important as the plan itself. However adequate present town planning powers may be in theory, they are ineffective in practice. P.E.P. proposes that a National Planning Commission should be set up, but the larger problem of the regional machinery of administration has had perforce to be left for report by yet another group of P.E.P.'s researchers. The present publication in consequence tells only half the story. It may be an exaggeration to say (the Ministry of Health avers that it is) that vested interests are too strong and the cost of compensation to landowners too great for the present local authorities to plan land-use effectively. It is certain that, for this purpose as for a host of other vital services, existing areas of local administration are too arbitrary and too small. The great "urban clusters" (a picturesque and euphonious term which P.E.P. proposes to substitute for the ugly "conurbation") of London, Birmingham, Merseyside and Tyneside cry out for regional organisation for defence against industrial, residential and traffic chaos, just as they call, with more success, for regional organisation against enemy attack in war-time.

One of the chief merits of P.E.P.'s inquiry is to establish the fact that the problem of industrial location is not an isolated segment of economic policy that can be chipped off for individual examination. Location can only be fundamentally altered after reforms as vast as a complete overhaul of central and local government, and a fundamental re-examination of the whole system of national and local taxation. The views of the Royal Commission about these aspects of their subject will be all-important. Like P.E.P. they must make the nation know that quick and decisive action is needed against evils that grow and sap our strength. Like P.E.P. again they must prove that such action can be taken without striking at the roots of our economy or drying up the springs of our national income. They must create a national attitude. But they must do more, if they are to seize their chance of pressing upon the Government the most important State document of our generation. They must cut across the tangle into which our systems of local finance and administration have fallen. They must call in the fiscal engineers to design a fresh machine to weave the nation's welfare.

Pharaoh's Plan

MR RUBLEE, the American who was appointed by the Evian Conference to the presidency of the Intergovernmental Committee set up to supervise the exodus of the Jews from Germany, has resigned his post. But he has not done so in failure. His mission was not a permanent one, but the temporary one of attempting to persuade the Nazis to undertake some small part of the responsibility for solving the appalling problem they have created. Mr Rublee was cast for the rôle of Moses, not that of Joshua. And he has succeeded in obtaining a few concessions from Pharaoh's hardness of heart.

The German Government's proposals, which have resulted from Mr Rublee's negotiations, first with Dr Schacht and subsequently with Dr Wohltat, if they are carried out, will mark a new stage in the refugee exodus. The outcome of the negotiations is not an agreement or contract between the Intergovernmental Committee and the German Government, which is as unwilling to accord the Committee official recognition, as it was to recognise the High Commissioner of the League of Nations. The proposals, therefore, have the form of a unilateral declaration, like the original Capitulations which the Ottoman Sultans in the sixteenth and seventeenth centuries granted to certain Christian States with regard to the treatment of the European Christians in their dominions. The German Government appears as the gracious donor, and the other countries and the Jews are the beneficiaries. No sanction or consideration is given for the observance of the proposals. It is expressly said that in case of "incidents" the arrangement may be withdrawn; and, of course, incidents may occur any day.

It is made clear, moreover, that the application of the new regime to German Jews depends on the early organisation by other Governments and by philanthropic bodies of a planned emigration, which will take out the whole of the young generation of German Jewry within a period of three to five years. The young generation of workers, which includes those between the ages of 18 and 45, is estimated to number about 160,000. The total Jewish population in Greater Germany, including Austria, is estimated at 500,000; but of these the majority are over 45. It is not clear whether the German Government envisages the liquidation in the period of five years of the whole community, including the older persons and the children, for whom the workers are to prepare homes in new countries. But it is held out that the older persons and the children will be permitted to remain in Germany for a time, while the workers are emigrating, and will not be harried. So far as they can find employment they may even be allowed to work, but with the stipulation that they will be separated from "Aryan" workers. The Jewish property still left in Germany will be used for their support, and, so far as it is inadequate, they will be entitled to public assistance.

One of the principal features of the proposals is in regard to the transfer of the emigrants' property. Until last year, Jews leaving Germany could take out in foreign exchange a small and steadily declining percentage of the property which remained to them when they had liquidated their affairs and had paid the emigration tax and other dues. The proportion fell rapidly to something under 10 per cent. But, since the middle of last year, even that concession has been withdrawn, and the emigrants have been unable to take out anything in foreign money or, more recently, any object of intrinsic value. The new proposals are that one-fourth part of the total value of the

remaining property of German Jews shall be pooled, with the consent of its owners, and used for the assistance of emigration. The fourth part is arrived at after the satisfaction of the penal fine imposed on the Jewish community last November, which amounted to a milliard of marks (£80 millions), and involved the impoverishment of a large part of the Jewish bourgeoisie. None of the fund thus created will be taken out in foreign exchange; it will be used for passages and transport, on the one hand, and for goods which may assist settlement, on the other. The goods will be partly personal effects and tools of trade which the emigrant will take with him—but not valuable objects—and partly capital goods, such as machinery, which will be useful in the new home. The Jewish property is to be liquidated by a Board of Trustees composed of three persons. For the purpose of assisting settlement in the countries of emigration, a corporation is to be established outside Germany.

What is contemplated is a modification of the Haavara system that has been applied by Palestine Jewish bodies in agreement with the German Government since 1934, with a view to assisting the settlement of Jews from Germany in Palestine. Under that system a Jew in Germany, wishing to settle in Palestine and possessing some property, has deposited in a German bank the value of £1,000, which is the qualification for a capitalist's certificate for Palestine. The sums deposited have been utilised by a trust for the purchase of German export goods for Palestine, and those goods have been marketed in Palestine by a publicly controlled corporation. The proceeds of sale are credited to the persons in Germany who made the deposit, subject to a deduction for the cost of the imported raw material in the goods, which goes to the German manufacturer. The rest has been available in foreign exchange to the depositors, and has enabled them to satisfy the requirements of the Palestine Government as to the capital which the immigrant "of independent means" must possess.

In the new proposals the goods exported from Germany are not to be sold, but are to be used by the emigrants for their settlement. Moreover, the funds for their purchase will be derived by a levy on German Jewish property. At the same time, the objection that was strongly felt to the original proposals put forward by Dr Schacht, involving the stimulation of German exports for trading purposes, is met by the provision that the goods taken from Germany by the emigrants will not be placed on the market, but used directly by them in their new homes.

The crux of the proposals is to find countries in which the larger ordered emigration may be settled. The German Government demands of the other Powers that they shall take an active part in solving the problem which it has created. The execution of the plan is dependent on some manifest proof of their co-operation. At the moment it is hard to see how it will be immediately forthcoming. Emigration is proceeding all the time from Germany and Austria to many countries. The largest section moves to the United States, where the annual quota accommodates about 28,000; another is distributed between various countries of South America; another small but ordered stream moves to Australia, and a less ordered and panic-stricken stream to Shanghai. But so far, apart from the proposals of the Dominican Republic, which held out the prospect of accepting 100,000 refugees, there has been no indication from the other countries of willingness to make a place for ordered settlement on any considerable scale. The British Government's offer of a territory in British Guiana for a large settlement, and of facilities for small groups to settle

in Northern Rhodesia and Kenya, are being investigated; but, with the best will in the world, scientific surveys must take some time, and the execution of colonisation plans in undeveloped countries requires longer time.

If there is to be a sincere effort of the German Government and the other Governments to attain a decent and ordered solution to the problem, time must be given. The pace of emigration must be slower at the beginning, while the examination of possibilities and the arrangements for the transfer of property are being carried through. It may grow steadily in the next years. Present indications in Germany are of an increased pressure to force out the Jews and the "non-aryans" by all manner of menaces, particu-

larly by the threat of incarceration or reincarceration in the concentration camps. That ruthless pressure during the past year led to a panic-stricken and unordered emigration from Austria, engendering refugee problems in all parts of the world. It was to check that hopeless exodus that the negotiations of Mr Rublee, on behalf of the Intergovernmental Committee, were particularly undertaken. It would be a dire calamity if the proposals of the Governments, including the German Government, were wrecked by a recrudescence of pressure before an honest opportunity had been given for carrying them out. What is needed is opposite action by the German and other Governments; relaxation by the one, acceleration by the others.

Negligence and Common Sense

(By an Insurance Correspondent)

A FEW weeks ago Lord Porter, a legal member of the House of Lords, delivered to the Insurance Institute of London an address on contributory negligence which has not yet been fully reported, but will, when it is published, be of great value to students both of accident insurance and of the law. Lord Porter, with his usual clarity, explained the principles of the law of negligence and the theoretical basis on which they rest, claiming for them that, while they are a mixture of philosophy, tradition, common law and statute, they include in their make-up a considerable proportion of common sense. Most barristers would probably agree with this inclusion of common sense in the recipe, but there are non-legal minds devoted to the practical application of the law in the settlement of claims who would not admit that common sense is given its proper place in this branch of law. After all, common sense in law only means giving the community a law that suits it, that holds the balance fairly between conflicting interests and is reasonably clear in its application. Taking that as a test, let us consider four recent cases, of which one has already been mentioned in *The Economist* and one has not yet become the subject of an action.

The first case is that of *Radcliffe v. Ribble Motor Services*, in which the House of Lords gave judgment last month. Radcliffe, the driver of a bus, stopped on the road, left the driving seat and (as he stood in the road) was killed by another bus belonging to the same owners. That the widow had a claim against the bus company was certain. But what was her claim? If it was for workmen's compensation it could not be more than £600. If for negligence, the sky was the limit, and the actual sum assessed as damages for negligence was £2,079—£1,479 more than workmen's compensation—a figure of the greatest importance to the poor widow.

Whether she received the £600 or the £2,079 turned solely on whether her husband and the driver of the other bus were at the moment of the smash legally in common employment. If they were in common employment she would get £600. If not she would get £2,079. The judge in the first court said they were not in common employment. The Court of Appeal said they were. The House of Lords said they were not, and restored the judgment of the first Court.

The arguments and the reasoning are far too subtle for a short analysis, but it is broadly true to say that the Lords held thus: if Radcliffe had been in the Ribble Motor Company's garage when he was run over and killed, the doctrine of common employment would have prevented his widow from recovering damages, because each of the men would then have been dependent on the skill with which the other drove his vehicle; but when they were

moving independently down a highway, neither was more interested in the skill of the other than in the skill of the hundred drivers whom he would naturally meet on the road. Killed by Jones in a garage, £600. Killed by Jones on a road, £2,079.

The second case is that of Miss Merle Oberon, the film star. She was being driven by her chauffeur when the car collided with another car, which, the Court held, was being negligently driven. Miss Oberon was so badly injured as to be unable to act for some time, and naturally she brought a suit against the driver of the other car. But, being well advised by her lawyers, she brought at the same time an action against her own chauffeur, in case it turned out that he was the negligent party. After hearing the evidence the Court held that her chauffeur was slightly negligent, but very much less so than the other driver, with whom the main fault lay. And on that finding the law declared that the whole of the damages must be paid—by whom? By Miss Oberon's chauffeur. Here again the reasoning is much too subtle to be dealt with shortly, but it turns on the doctrines of agency and contributory negligence, and it resulted in this situation: the slightly negligent chauffeur, if he was injured, had a claim, under the Workmen's Compensation Act, for 30s. a week against his mistress, and his mistress had a claim in common law against him for the whole of her damages; while the far more negligent driver of the other car got off scot-free. It would be interesting, in the light of this case, to know whether a housemaid who negligently leaves an electric iron on too long, and burns the house down, is liable for the results of the fire to the houseowner and by subrogation to his insurers; and also whether Miss Oberon's fellow actors who were thrown out of employment by Miss Oberon's injury had a claim against anybody.

The third case is that of the "Hurunui," a liner belonging to the New Zealand Shipping Company. The facts here are that a little drifter called the "Reclaim" was coming out of port with one or two other drifters when something went badly wrong with her navigation. What happened nobody will ever know, but as the result of her incredibly bad handling she collided so violently with the "Hurunui" that (it is said) she actually was sucked under the hull of the "Hurunui" and came up on the other side bottom upwards. All the crew of the "Reclaim" but one were drowned, and their dependants had to decide what action to take. If they had gone for the owners of the "Reclaim" they might, perhaps, have recovered for workmen's compensation, but on the doctrine of common employment it did not look as though they could possibly recover for negligence. What was to be done? That the "Reclaim's" bad navigation caused the collision was beyond doubt, but there was just a chance of the Court hold-

ing that the "Hurunui," too, did something wrong. They took the chance and won, because the judge held that, although the "Reclaim's" navigation was utterly wrong, and although in ordinary language the blame was entirely hers, it was, at the same time, possible that the collision could have been avoided, if the "Hurunui's" pilot had reversed his engines 60 seconds or so before he actually did reverse them. The collision was admittedly forced on to him, but, because of this last-minute possibility, the "Hurunui" had to indemnify all the dependants of the "Reclaim's" crew, while the owners of the so terribly negligent "Reclaim" escaped scot-free.

The last case is that of a man driving some near relations in his car. In an accident caused almost certainly by his bad driving all the relations are killed while he escapes. Their estates have an action for loss of expectation of life against him. They are sure to recover from his insurers. He will succeed now or later to their estates. The money paid to the third parties for his negligence will come to him.

There is nothing unusual or extraordinary in any of these four accidents. They are just the ordinary casualties that insurance companies and their lawyers have to handle every day of the week, but in three out of the four cases the law is obscure almost to the point of impenetrability,

and in not one of them can the results reached by the law be described as sensible or equitable or suitable to modern conditions. The patchwork of traditions and old principles and modern statutes which the lawyers have put together does not cover the facts of to-day, and the law of negligence is now in much the same plight that the commercial law was in half-way through the eighteenth century. Before Lord Mansfield went to the bench in 1756 the lawyers were clumsily adapting the principles of real property to commercial transactions, and making such a mess of it that merchants had all but given up coming to the Courts with their disputes. Lord Mansfield cut through all the traditional usages and declared that business must have the law it needs, a law which will lead to sensible results from ordinary transactions. So he established the commercial law of England and rehabilitated the Courts. Is it too much to ask for the same line to be taken now with the law of negligence? Is it not possible for the lawyers to produce a system in which the predominant element will be common sense instead of worn-out traditions, remembering that no man can safely sew a piece of new cloth on an old garment, and that when over-subtlety comes in at the door common sense flies out at the window?

The World's Navies

IMMEDIATELY after the issue of the British Navy Estimates for 1939 a number of comparisons were made in the Press between the leading fleets of the world. Most of these have been in tabular form, and have followed the simple and easy plan of adding together the numbers of existing ships and ships building and projected in each category.

Actually, this is a somewhat misleading method, since a definite proportion of the ships under construction for every country will be found to have been authorised for the replacement of obsolete tonnage. A sounder approach must take into consideration first of all the ships actually completed, leaving those under construction or projected to be counted separately.

Only seven Powers possess navies of first-class importance—the British Empire, the United States, Japan, France, Italy, Germany and Soviet Russia. To obtain an idea of the respective strength of each it is only necessary to compare the figures in each of the principal categories of fighting ships.

Capital ships (battleships and battle cruisers) remain the backbone of every fleet, nothing that has occurred since the end of the Great War having affected their status. Under the London Naval Treaty of 1936 and the Anglo-German and Anglo-Soviet Naval Agreements, capital ship displacement was originally restricted to 35,000 tons; but in view of reports that the only country which is not a party to one or other of these conventions—Japan—is building battleships bigger than this, the limit has since been raised to 45,000 tons.

In completed capital ships—battleships and battle cruisers—the comparison is as follows:—

Great Britain	- 15	U.S.A.	- 15	Japan	- 9
France	- 7	Italy	- 4	Germany	- 5
		U.S.S.R.	- 3		

Of the British total, only two units, the *Nelson* and *Rodney*, are of post-war design; but three of the older ships have undergone extensive modernisation, and three more are in process of reconstruction. No fewer than ten of the American ships have been similarly renovated, as have most of the Japanese. It is quite possible that the Japanese total should be 10 ships and not 9, since the demilitarised battleship *Hiei* is reported unofficially to have been

brought back into first-line condition. Two of the French battleships, the *Dunkerque* and *Strasbourg*, are new ships of 26,500 tons displacement, with a speed of over 30 knots. Of the remaining five, only three have been modernised at all, the other two being overdue for replacement. All four of the Italian ships have been taken in hand for complete reconstruction, and two are now in service again. Germany's total includes three so-called "pocket battleships" of 10,000 tons. These cannot fairly be compared with real battleships, being for practical purposes powerful armoured cruisers. But the remaining two are new 26,000-ton vessels, comparable with the French pair. Russia's three ships are of little value, being old and slow.

In aircraft carriers the comparison runs:—

Great Britain	- 7	U.S.A.	- 5	Japan	- 5
France	- 1	Italy	- Nil	Germany	- Nil
		U.S.S.R.	- Nil		

One of the British vessels, the *Argus*, is of small importance, having been converted into a tender for "Queen Bee" wireless controlled target aircraft. One of the Japanese ships is also of little value, being of small size and out-of-date type. The whole question of aircraft carrier design has not long emerged from the experimental stage, only three navies having had extensive experience with different types.

Cruisers are of greater importance to this country, with its world-wide commerce, than to any other. Figures compare thus:—

Great Britain	- 64	U.S.A.	- 35	Japan	- 39
France	- 22	Italy	- 21	Germany	- 6
		U.S.S.R.	- 5		

In the British total are 23 war-built cruisers which are over the age for replacement. Two of these have been converted into anti-aircraft ships, and six more are to be similarly utilised. The Japanese figure includes three ships of under 3,000 tons, comparable with a number of French ships of similar size which are rated as destroyers.

Under the somewhat confusing system of classification adopted in the London Naval Treaty, cruisers and destroyers, the functions of which sometimes overlap, were lumped together under the general heading of "light surface vessels." But every Navy continues to maintain the old distinction in its national rules for rating war-

ships. Taking this into consideration, destroyer totals to-day are:—

Great Britain - 174	U.S.A. - 206	Japan - 118
France - 58	Italy - 60	Germany - 22
	U.S.S.R. - 24	

It will be recalled that during the Great War the shortage of destroyers was acutely felt. In fact, right up to the Armistice there were never enough to meet requirements, though the total in service on the side of the Allies was equal to the combined strength in this category of all the above Powers to-day. Of the French total, 32 are vessels of between 2,300 and 2,900 tons. Over 30 of the British destroyers are being converted into escort vessels.

Excluding the small motor type, which is really of service only in narrow waters, the following are the totals of completed torpedo boats:—

Great Britain - Nil	U.S.A. - Nil	Japan - 12
France - 13	Italy - 60	Germany - 24
	U.S.S.R. - 15	

Average displacement of these vessels is in the neighbourhood of 600 tons. Most are fast craft of modern design.

In submarines comparative strengths are:—

Great Britain - 55	U.S.A. - 93	Japan - 60
France - 78	Italy - 102	Germany - 60
	U.S.S.R. - 139	

It should be noted that a dozen of the British submarines, and more than twice as many of the American, are of war design and construction, so must be reckoned as of limited value. This applies to only seven of the Italian vessels and a similar number of the Russians. All the French and Japanese craft are post-war; and the German U-boats were all built during the past four years, though 32 of them are small craft of 250 tons, with a limited radius of action. About 40 of the Soviet submarines are of equal dimensions.

So far for existing tonnage. It remains to deal with ships under construction. Battleships either building or authorised for laying down at an early date comprise:—

Great Britain - 9	U.S.A. - 6	Japan - 4
France - 4	Italy - 4	Germany - 4
	U.S.S.R. - 3?	

Five of the British total are ships of 35,000 tons, armed with 14-inch guns, due for completion during 1940-41. The other four, only two of which have so far been ordered, are to be of 40,000 tons, with 16-inch guns. All six of the American vessels are 35,000-tonners, to be armed with 16-inch guns, but only two of them have actually been begun. Authority is likely to be given shortly for the building of at least two more, of over 40,000 tons.

Nothing definite is known about the four Japanese, but it is believed that they will be ships of over 40,000 tons, armed with 16-inch guns, though not more than two are understood to have been laid down. Three of the four French ships have been started, and all four of the Italians. They are 35,000-ton ships, designed to mount 15-inch guns. This description also applies to the four German battleships, three of which are actually building, the fourth being due for commencement shortly. Nothing definite appears to have been settled about the Russian programme, and no keels have been laid, though it has been widely reported that these ships will be 35,000-tonners with 16-inch guns. Of the 34 capital ships listed above, the first to be completed should be two Italians, which are expected to be running their trials by the end of this year.

In aircraft carriers under construction or authorised, this country is well ahead of others, the figures being:—

Great Britain - 6	U.S.A. - 2	Japan - 2
France - 2	Italy - Nil	Germany - 2
	U.S.S.R. - 3	

All the British ships are understood to be of 23,000 tons, and orders have been placed for all but one of them. One of the Americans will be of 20,000 tons, the other of 14,700 tons. Both the Japanese are to be of 10,050 tons, and the two French of 18,000 tons. The two German air-

craft carriers will be of 19,250 tons. So far as is known, one Russian carrier will be of 9,000 tons and the other two of 12,000 tons.

In cruisers the position is as follows:—

Great Britain - 23	U.S.A. - 6	Japan - 5
France - 3	Italy - 12	Germany - 9
	U.S.S.R. - 5	

It should be noted that the number of British cruisers in hand is exactly the same as that overdue for replacement. Japanese and Russian figures are unofficial, no statistics being forthcoming from either country through Government channels. The twelve Italian cruisers are to be fast vessels of 3,362 tons; but five of the Germans will be 10,000-ton ships armed with 8-inch guns.

Destroyers in hand are distributed thus:—

Great Britain - 40	U.S.A. - 40	Japan - 10
France - 23	Italy - 7	Germany - 8
	U.S.S.R. - 6	

As before, the Japanese and Russian figures are unofficial. At least eight of the British destroyers, and most of the Japanese, are vessels of about 2,000 tons, and the Soviet ships are of 2,600 tons. None of those tabulated is less than 1,500 tons.

Submarine construction in the world compares as follows:—

Great Britain - 18	U.S.A. - 13	Japan - 8
France - 16	Italy - 20	Germany - 11
	U.S.S.R. - 25	

Nearly all these submarines are believed to be ocean-going craft of considerable size. In a sense, the construction of submarines may be regarded as provocative, since in the event of war the temptation to employ them ruthlessly against merchant vessels, irrespective of the protocol signed by all the Powers, might easily prove too strong to resist. Therefore every flotilla of submarines ordered is likely to cause an equal number of destroyers or patrol vessels to be put in hand by some other Power which considers itself threatened by a rival's programme of submarine construction.

To summarise these figures and present a complete picture of the relative strength of the world's navies is a task beyond the powers of mere numerical listing. Considerations of age (where existing ships are concerned), of date of completion (for ships under construction) of bases and strategical geography have all to be taken into account. But in general, it would seem that the British Navy is now the strongest in the world and is increasing its lead.

If war were to break out immediately, and if it involved (as we must assume it would involve) Britain and France on the one hand and Germany and Italy on the other, the superiority of the democracies in European waters would be very large. In reasonably modern and large capital ships they would have ten to four, and they would receive reinforcements within comparatively few months of six to four; and they would have a margin of seven older ships. In cruisers and destroyers the position is 318 to 112 (including three German "pocket battleships") completed and 89 to 36 building. In submarines, the Axis powers have a superiority, especially when age is taken into account, and, temporarily, in motor torpedo boats.

If Japan were to enter the war on the Axis side, without either Russia or the United States being involved, the numerical superiority of the democracies would be reduced, though it would still exist both in capital ships and in "light surface vessels." The size of the fleet that would have to be sent to the Far East, however, would depend on whether the attempt would be made to contest the mastery of the seas north of Singapore and on other such matters of high strategy. The probability is that Great Britain and France would still have a decisive naval superiority in Europe. In a few years' time, when the present British building programme is complete, that superiority will move out of the range of probability and become an established fact.

Topics of the Week

Britain's Land Forces.—Mr Hore-Belisha's remarkable exposition of the ways in which army development is being related to modern strategic needs, made in the Commons on Wednesday, left unanswered the question most people were asking. The Secretary for War stated that military conversations with France had not yet involved this country in any commitment to send an expeditionary force to the Continent in case of war. Yet, though he was still unable to measure the military liability we might have to incur overseas in war-time, Mr Hore-Belisha made it quite clear that the view that Britain's liabilities could or should be rigidly limited to home and Imperial needs was no longer held by the Government. "Prudent minds should be ready for any eventuality," he said; and he went on to show how the army was at present organised as an elastic and mobile striking force. The needs to be envisaged in war are three: Home defence, Imperial defence and expeditionary co-operation with our allies. Home defence, which had perforce to be left to the Navy in the last war, will in the next be carried out by seven Territorial divisions, an increase of two over the present anti-aircraft force. Imperial defence will be stiffened by the recruitment of local troops and based upon the concentration of strategic reserves in India and Palestine: here the yet unpublished report of the Chatfield Committee is the key document. After home and Imperial needs have been met, according to present calculations, six Regular and thirteen Territorial divisions will remain. These 19 divisions will be available as a Field Force for expeditionary use on the outbreak of war: 13 are infantry, three are motorised, and three are armoured.

Outstanding Needs.—On the whole, Mr Hore-Belisha's review of resources and strategic policy represented a notable step in the right direction. In case of need, we will be able to fulfil our inescapable obligation to assist our French allies on land, as well as at sea and in the air, at least in a small way; and a new nation-wide machinery for recruiting Territorials to the Field Force on the outbreak of hostilities has been devised. It cannot be too strongly urged, however, that this is only a beginning. Last year's strategic re-shuffling of Europe has made the necessity for large-scale military intervention on the Continent by British man-power inevitable in any future war; and, bearing in mind the quite reasonable possibility that home defence forces may in the event need to be strengthened by Regular units at present included in the potential Field Force, we cannot regard the earmarked nineteen divisions, say, 250,000 men, as a sufficient expeditionary force, even at the outset. At least ten divisions more, fully trained and fully equipped with modern armaments, would seem to represent the minimum margin of safety required. And, of the existing nineteen divisions, only the four Regular units will be fully armed in the immediate future: only they, for instance, are now fully issued with Bren guns. The Territorials are to have more money for buildings and training; they must be adequately supplied with modern armaments as well. The Government's mind may, indeed, be prepared for any eventuality. The army, as yet, is not.

Civil Defence.—The greatest contribution to public confidence made in recent months by the Ministers responsible for civil defence has been the abatement of departmental secrecy. Citizens can now discern a wide flung pattern of defence measures very different from the deficient patchwork so starkly shown up last September. It is now well-known, for instance, that plans for the regional co-ordination of local government over large areas have been completed, with regional officers to dovetail in the war-time administration of services with

committees of the existing authorities, who are not, of course, to be superseded. Last week, the Minister of Health issued a memorandum outlining the emergency organisation of hospital services through regional officers acting for the Ministry. This week, the Director of the Food (Defence Plans) Department of the Board of Trade explained a far-reaching scheme for the rationing of meat, bacon and ham, butter and margarine, cooking fats, sugar and other essential provisions and groceries in the event of war, through local Food Control Committees representing consumers and retailers. Schemes of this kind are signs that a national defence policy is now in being. Even so, there is no case yet for satisfaction. The Government's evacuation census has revealed voluntarily offered billeting accommodation for 1,110,000 adults and 2,250,000 children; but it has yet to be proved that more than the 50 small evacuation camps projected will not be needed to supplement house-billeting. The Government's widely-awaited decision on the provision of deep shelters has yet to come. Finally, there is still a shortage of the raw material of defence, personnel. In fact, according to Sir John Anderson, there is an all-round need for more volunteers, not confined to A.R.P. and allied services. In the active services themselves, the Regular Army, the Territorials and the Supplementary Army Reserve still need 20,000 more recruits each, and the Women's Territorials 13,000; the Navy needs skilled artificers; the Air Force wants 20,000 men. For civil defence the need is greater: the estimated deficiency of 250,000 men and women is too small; if specific local shortages in particular services are added up, 430,000 men and 125,000 women are still required. A new Central National Service Committee has been set up, and the tasks before it are great and urgent.

Currency War in China.—The latest phase of the "incident" in China is economic. For months past the Japanese have been trying to force on the population of the territories they occupy, especially in North China, the notes issued by their Army-born and Army-bolstered Federated Reserve Bank in Peiping. The currency in which these notes are issued is the yuan. The yuan has the same exchange value as the Japanese yen; in fact, for all practical purposes, it is the yen. The Chinese population has shown a stubborn preference for the dollars of the National Government and the yuan has been fighting a losing battle. The Japanese Army have now proclaimed new currency regulations, to come into force on March 10th, which impose a tight exchange control, in favour of the yuan. Exporters are to deposit their proceeds of sale in yuan, and

Every facility for
BANKING
business on
SWEDEN
SKANDINAVISKA
BANKEN

Central Offices at Göteborg, Stockholm
and Malmö

CABLES (FOR ALL OFFICES AND BRANCHES)
SKANDINAVBANK

licences will be needed for importing. These licences will, of course, be granted most easily (some suspect exclusively) to those who have the good sense to import from Japan and Manchuria. An attempt is being made to force the foreign concession at Tientsin into this system. The opportunities for evasion and smuggling are legion and the institution of control is not calculated to enhance the attractiveness of the yuan. Whether by coincidence or by design, steps have been almost simultaneously taken to strengthen the Chinese dollar. The National Government have set up an Exchange Fund of the equivalent of £10 millions. Half of this sum is to be subscribed by two British banks, the Hongkong and Shanghai Banking Corporation and the Chartered Bank of India, Australia and China, and the banks are to be guaranteed against loss by the British Government. These funds will not, of course, be directly available for purchases of munitions, and Japan's interest in the stability of the dollar has been emphasised often enough for it to be possible to argue with some plausibility that the British move is not anti-Japanese. But it remains true that it will be welcome in China and unwelcome in Japan and that China's chances in the currency war are improved.

Meanwhile, the war goes on on its various fronts. The main Japanese attack is concentrated on the Han River, north of Hankow, which is reported to have been crossed on Tuesday of this week after intensive bombardment. In Shanghai the firmness of the Municipal Settlement has succeeded in securing continued Japanese recognition of the principle that the Settlement's own police should be left in control in the area under the Council's jurisdiction. The chief centre of foreign anxiety at the moment is Tientsin, where the Japanese have isolated the concessions with a line of live-wire fencing. They are evidently determined to ruin the trade of the treaty ports, even if they leave the foreigners physically unmolested.

The Hussein—McMahon Correspondence.—The correspondence, running from July 14, 1915, to March 10, 1916, between the Sherif Hussein of Mecca and the then British High Commissioner at Cairo, Sir Henry McMahon, has now been published as a White Paper (Misc. No. 3, Cmd. 5957, 1939). The exchange of letters was made in Arabic on both sides, and in the now published version the original English drafts of Sir H. McMahon's letters and the original English translations of the Sherif's letters have been revised in order to bring them into closer correspondence with the authoritative Arabic texts. The bearing of this correspondence on the present problem in Palestine turns upon Sir H. McMahon's letter of the October 24, 1915, in which he accepts, with certain specified exceptions, the geographical bounds within which the Sherif, in his letter of July 14, 1915, had asked Great Britain to acknowledge the independence of the Arab countries—as a condition of the Arabs taking up arms on Great Britain's side against the Turks. The Sherif's original demand included Mersina and Adana in Cilicia, and everything except Aden south of a line running eastward from these two places, along latitude 37 degrees, till it reached the Persian frontier. Sir H. McMahon excepted "the two districts of Mersina and Alexandretta and portions of Syria lying to the west of the districts of Damascus, Homs, Hama and Aleppo"—"without prejudice to existing British treaties with Arab chiefs" (e.g. the Gulf chiefs, the Sultan of Oman, and Ibn Saud). The British undertakings were made specific in respect of "regions lying within these frontiers wherein Great Britain is free to act without detriment to the interests of her ally France." The British official thesis hitherto has been that this formula excepted the whole of Palestine west of the Jordan, on the ground that the district of Damascus meant the Ottoman province (*vilayet*) of Damascus, which included the whole of what is now Transjordan, down to Akaba inclusive, and thus flanked the whole of Palestine. The Arabs have always contended that "district" was used in this formula in the unofficial sense of "neighbourhood" or "entourage," on the ground that the *vilayet* of Damascus included the districts

of Homs and Hama, and the *vilayet* of Aleppo the district of Alexandretta—all of which districts are separately enumerated by Sir H. McMahon. On this showing, the whole of Palestine would be included in the area in respect of which the Arab demand was accepted by Great Britain.

The wording is—perhaps deliberately—obscure. But if it was intended to exclude Palestine from the Arab kingdom, the least that can be said is that the drafting was culpably lax. The more obvious meaning of the words would be more in accordance with the Arab claim. This conclusion is supported by the date of the letter. For in October, 1915, there was no question of making any provision for the Jews in Palestine. Any such idea, in fact, was vetoed by the Czar and it was only eighteen months later, after the Russian Revolution, that the Balfour Declaration could be made. The internal evidence goes to show that the only non-Arab interest that the British Government were interested in, in 1915, to protect was that of France in Northern Syria. The bearing of these letters on the present Palestine problem, however, is another matter.

Mr Gandhi Breaks Fast.—On Tuesday last, when Mr Gandhi took a sip of orange juice, there ended an extraordinary example of the non-violent *Kraftprobe*. The Mahatma, without a single gun to back his diplomacy, presented his ultimatum and mobilised his forces of personal prestige and will-power. He was as successful as any Hitler. It is true that the terms on which he was persuaded to demobilise were not those that he had stipulated when he began his fast unto death. But this is likely to prove as deceptive as the seeming fact that the Munich Conference gave Herr Hitler less than he had demanded at Godesberg. Not only has the Thakor Saheb of Rajkot agreed to set up a committee (including Congress nominees) to consider reforms in the State in accordance with his original undertakings, and to accept the judgment of the Federal Chief Justice of India upon the interpretation of his pledges; much more important, Mr Gandhi's demonstration secured the direct intervention of the Viceroy, as agent of the Paramount Power. Although Lord Linlithgow has shown the utmost circumspection in avoiding entanglement in the merits of the Rajkot dispute itself, a momentous precedent has thus been set up. Mr Gandhi, furthermore, has accepted His Excellency's invitation to come to Delhi for a personal conversation, which will no doubt cover the whole field of reform in the States; this will be the first meeting between the two most powerful individual men in India. Thus one more step, and a very notable one, has been taken in the direction of a more positive and constructive British policy towards the advance of democracy in the Indian States, a policy that is manifestly required by the necessities of the times.

"Square Deal" in Sight.—After more than three months of protracted negotiations, the railways are at last within sight of a modified version of their "Square Deal" proposals. As a result of recent conversations between the railways and trading interests the Transport Advisory Council should be able in the near future to submit an agreed report to the Minister. Two weeks ago—as we pointed out—separate reports seemed inevitable, since a complete deadlock appeared to have been reached in the negotiations between the railways and the traders. The traders were insisting upon maximum rates, and a definition of the word "unreasonable" (as it was to be interpreted by the rates tribunal when considering complaints) as a condition of their support for the railways' Bill. For their part, the railways were unwilling to make further concessions. In the last few days, however, both sides have compromised, with the result that an agreed memorandum has been drafted for signature in the near future. The chief point in this memorandum is that the railways agree that, in determining whether a charge is reasonable or not, the tribunal shall have regard to a number of specified considerations. The traders, however, point out that the fears they originally expressed to the special committee of the T.A.C. have been aggravated by the Road-Rail Agreement,

and that whilst they are in favour of any step designed to bring about that co-ordination of all forms of transport, they had not envisaged what they describe as a "transport trust." Their fears centre upon a possible lack of flexibility of rates which they anticipate may result from the Road-Rail Agreement, on which they still desire safeguards. Hitherto, the railways could, if they chose, quote an exceptional rate up to 40 per cent. below the standard without applying to the rates tribunal, but under the Road-Rail Agreement they will be tied to a rate, until it can be varied through machinery that (the traders fear) may operate too slowly. If the agreement should work out in this way, the traders' reservation is reasonable. Agreement or compromise has now been reached with all interests represented on the T.A.C. with the exception of coal—and even here it is still believed that, despite the Mining Association's memorandum which sets out no less than sixteen safeguards for tied traffic as the condition of its support, a last-minute agreement may be reached. The committee of the T.A.C. is meeting each day next week, except on Monday, and the report is, therefore, expected to be in the Minister's hands very shortly.

Rail Wages and Mine Hours.—At a time when, one after another, industrial interests are approaching the Government, cap in hand, or *cap à pied*, according to the temperament of their trades, to demand assistance, it is scarcely to be supposed that industry's workpeople, who have many admitted grievances to unfold, will be backward in coming forward. Square deals, as the current jargon goes, are in the air; and, in the labour world, few men have a better case for amelioration of their lot than the lower-paid railwaymen and the coal-miners whose subterranean existence is constantly hazardous. Unhappily, economic decisions cannot go by deserts—which is, incidentally, as true of industries as of trade unions. The simple fact that at this moment the railway companies cannot afford to institute the minimum weekly wage of 50s. demanded by the men or the coal industry to lop off daily hours the half-hour that was added to the seven-hour day in 1926 has been underlined in the last few days. A week ago the Commons talked out a Bill to restore the seven-hour day in mining; and the Railway Staff National Tribunal have rejected, almost entirely, claims for more pay and improved conditions of work that would have added £6,869,000 at least to yearly working costs. It is true that the coal-mining industry has consistently shown credit balances since 1935, but it has only done so by means of controlled and higher prices, and further increases in the country's fuel bill would gravely hamper business recovery. It is true, too, that the railways had net revenues of £29 millions last year, but that was not enough to meet their obligations and reasonable capital needs; costs have risen and receipts and net revenue are still falling. Indeed, the wages award of 1937, which added some £3 millions to railway costs, was based upon an estimated trend of revenues that has been far from realised; and, so far from the railwaymen winning concessions, the companies may logically call for an abatement of labour charges. This, however, is not likely to happen. The Tribunal made it quite clear that a great part of railway wages was set too low for human needs and contemporary standards. Current balance sheets cannot have the last word on railway wages or miners' hours. Both industries have an obligation to the community not to fall behind in the standards of their workpeople; and a primary objective of the transport co-ordination that is in train and of the mining reorganisation that is still being resisted should be to meet the just demands of the men.

Official Secrets.—Enthusiasts for the maintenance of the maximum amount of civil liberty for individuals that is consonant with the safety of the State are still not satisfied with the Government's proposals to amend the Official Secrets Acts. The grounds on which the Acts have been exposed to a wide-flung fire of criticism are two. In the first place, Section 6 of the 1920 Act made it

an offence for witnesses, as well as suspects to refuse to answer inquiries made by the police in the course of investigations under the Acts. In the Government's new Bill, which has been in Committee in the Lords this week, this statutory offence, which in effect furnishes the police and the Executive with special powers, will be confined to cases of espionage. So far so good. The critics' second grievance goes further, and is not met by the Home Secretary's new measure. Briefly their case is this: the special powers given in the 1920 Act have been limited to official secrets obtained for the purpose of spying; but it is still possible for the definition of official secrets to be drawn sufficiently widely by the powers-that-be to include far more than information of proven military importance. Under Section 2 of the 1911 Act information which may not be wrongfully communicated includes

any sketch, plan, model, article, note, document or information which relates to or is used in a prohibited place (i.e. defence works, arsenals, factories, dockyards, camps, ships, telegraph or signal stations or offices belonging to His Majesty) . . . or which has been made or obtained in contravention of this Act . . . or which has been entrusted in confidence, etc.

The scope of this clause is indeed far-reaching. The new Act, while reserving special powers of interrogation for cases of espionage, will still permit the term official secrets to be employed to cover information which has not the remotest connection with spying. Journalists and editors, though they will no longer be subject to punishment for refusing to answer the police questions, will still stand in uncertain danger of prosecution for publishing facts that turn out to be "official secrets," and the case for careful consideration of what an official secret really is cannot be denied. Section 2 of the 1911 Act might well be drafted more closely. Nevertheless, the fact that official secrets must, by their very nature, be defined *ad hoc* is unfortunately inescapable, and not even the most complete procedure for the preservation of civil freedom can overcome the necessarily authoritarian implications of *raison d'état*, though they can, and should, be reduced to a minimum.

London's Budget.—On Tuesday last the London County Council voted its annual budget for 1939–40. That such huge sums as £36 millions on maintenance and £15½ millions on capital were passed without more criticism or comment is one further proof of public acquiescence, if not approval, in the huge development of this body during the past 50 years. In 1889, gross annual maintenance costs were £2½ millions, and ratepayers grumbled at 1s. 0½d. in the £; this year the county rate is to continue unchanged at 7s. 9½d. This does not mean that maintenance expenditure is not up; its secular upward march has not been stayed; estimated outlay is over £720,000 higher—equivalent to a rate of 3d. in the £. The raising of the rate to meet this has been obviated

CHRISTIANIA BANK OG KREDITKASSE OSLO

Established 1848

Paid-up Capital and Reserve Funds,
Kr.40.000.000.—.

Oldest Norwegian Private Joint Stock Bank.
Direct correspondents throughout the country.
Offering complete services to banks and firms
doing business on Norway.

Correspondence invited

primarily by the growth of London's rateable value, for, even unchanged, rates are anticipated to yield £24,113,000 in 1939-40 against £23,786,000 in the current year. Government grants are up £66,440 at £10,366,887, and the Council's balances at the bank may be drawn on to the extent of nearly £1½ millions. Of current revenue, however, £1,000,000 is being applied to capital expenditure. During the six years of its rule, the present council will thus have allocated £4,825,000 out of revenue (compared with £2,715,405 in the previous five years from 1929, when the policy was commenced), which is truly conservative finance (even if it was adopted from the former Socialist government of Vienna). As a result of it, total loan charges in 1939-40 will be £420,000 less. The total capital expenditure to be included in the annual Money Bill to Parliament—this exceptional way, in which London suffers central government control—is reduced from £16,475,115 to £15,768,440. The net debt of the Council has increased during the current year by £3,715,885 to £87,503,155, the whole of the increase being accounted for by the housing activities of the Council. As these are continuing at the maximum rate which the London building trade can stand, it is possible that the Council will shortly be raising further capital both in the form of a medium-term loan and also in the form of bills.

* * *

Ending the Spanish War.—The Spanish war, as far as the fighting goes, is at last becoming Spain's business only. This week's events, the fall of Dr Negrin and those loyal to him, the desertion of part of the Republican fleet, the Communist uprising in Madrid against Colonel Casado's military junta, and General Franco's preparations for the final assault if surrender does not come before it, have passed before the world with the more or less ungenerous comments of those who stand and wait. Outside the arena the spectators and the traders and the diplomats chaffer and dispute over which of them shall have the greatest share of the victor's favour; the British and French Ambassadors arrive next week in Burgos, the Italians trumpet loud and somewhat troubled defiance, and only the Germans, with their Hisma agency selecting the pick and their hands on the Biscayan mineral deposits, are comparatively quiet; but, inside Spain, a war between Spaniards is nearing the bitter end. How bitter that may be is reflected in the internecine fury which, even at Madrid's eleventh hour, is not dissolved in common alliance against an enemy whose mercy promises thereby to become even more strained than it is already. But Republican Spain is breaking up; the interest of outsiders is more and more in General Franco's Spain. The Italians, it is not forgotten, are still in Majorca and may insist that their troops in the Peninsula be given a place of honour in the assault of Madrid; how much liberty have they left General Franco to treat with Britain and France? How far can he go without calling up against himself the enmity of the Falange, well-organised and violently pro-Fascist? How far does he himself wish to go? There are no answers to these questions yet, though the assumption of belligerent rights in applying a blockade to the coast of Central Spain without a word of permission from Britain or France, is an interesting pointer. General Franco has made Prime Minister Señor Serrano Suñer, his brother-in-law, who will need all the astuteness with which he is popularly accredited to satisfy, with one hand, the demands of General Pétain and Sir Maurice Peterson and, with the other, the commands of their Italian and German counterparts.

* * *

The Polish-Roumanian Alliance.—When M. Gafencu, the Roumanian Foreign Minister, visited Colonel Beck at Warsaw this week he went almost directly from the meeting of the Balkan Entente. The discussions at Bucarest are known to have gone far beyond merely anti-Bulgarian business, and even to have considered inviting Bulgaria to join the Entente as a means, presumably, of cementing the Balkans against German diplomatic intervention. In talking over Polish foreign

policy since Munich, with its move towards the U.S.S.R. and the disappointed partnership with Hungary which failed to wrest Ruthenia from the Czecho-Slovak Republic, M. Gafencu and Colonel Beck will scarcely have failed to settle differences of opinion which arose at that time. It is possible—though not very probable—that M. Gafencu withdrew Roumania's objections to the Hungarian annexation of Ruthenia which lies next door to Roumania and her Hungarian minority, and that Colonel Beck, for his part, explained his latest moves. But the core of their discussions must have been in the plans which Germany has for Eastern Europe; and it is neither wishful thinking, nor a misunderstanding of the essential opportunism which must actuate Eastern European Governments, to say that the Polish-Roumanian alliance (like the Balkan Entente) has of late years changed in the spirit, if not in the letter, of its text. Primarily it is an anti-Soviet alliance dating from the days when Poland feared revenge for Pilsudski's victories and Roumania the making of claims on Bessarabia. But to-day both statesmen know that the chief danger comes not from the east but from the west. There remains only a difference of opinion on which is going to be the winning side: Colonel Beck is thought to back Herr Hitler, and King Carol, and being farther away he can afford a bolder policy, to favour the Franco-British interest. The trend in Roumania marked by the suppression of the Iron Guard, a trend away from Germany, has been reinforced this week by the appointment of M. Calinescu to succeed the Patriarch Miron Cristea, who has died, as Prime Minister. The new Prime Minister showed his ability as an administrator when, at the Ministry of the Interior, he was instrumental in dealing with the Iron Guard. All this does not mean to say that either country, if it can help it, will take part in a future war; they both want to be neutral but, at the same time, neither can afford to be in the victor's bad books. To the extent that his moves during and since Munich have done much to enhance Roumania's standing among the Eastern and Balkan States, King Carol seems to be the better diplomat: and if the British Government's interest still extends to his part of the world, it is largely because King Carol has welcomed that interest both by word and deed. British re-armament and an invitation to London may help Colonel Beck to emulate his ally.

* * *

Castles in Slovakia.—In their relations with the Czechs since Czecho-Slovakia became a federal republic, the Slovaks have been trying to have their cake and eat it at the same time. They have been calling for subsidies out of the (comparatively) abundant revenues of Bohemia and Moravia; but they have also been demanding their independence. The last few weeks have brought rumours of direct negotiation between Bratislava and Berlin; there was talk of a Zollverein, or at least of an intimate economic co-operation which would not include the Czechs, and certain elements in the Slovak Government are understood to have put forward demands for complete autonomy. At this point the Czechs have put their foot down; they have told the Slovaks that they will get no more money from Prague unless they sincerely accept the unity of the Federal Republic; and, for the moment, the Slovaks have capitulated to this ultimatum. The explanation is simple enough. With its valuable *potentiel* in food production and its geographical position on the south-western axis between Germany and the Balkans, Slovakia represents to Germany a prize that is worth the winning. Ever since Munich, German agents have been active in Slovakia (as in Ruthenia, too), and from the course of events there it is clear that the Slovaks in power are quite ready to do all that the Germans wish. This is the more so because M. Sidor, the power behind Mgr. Tiso's Government, has changed from his former view that Slovakia would be best served in its fight for independence (a fantastic dream) by a Polish alliance, and now favours full co-operation with Berlin. Since M. Sidor commands the Hlinka Guards, his political power in the province is unchallenged. The Germans, however, have no intention of being saddled with a tract of territory

which might become a battlefield and is, in any case, financially derelict; they much prefer that the Czechs should continue to pay the needed administrative expenses.

* * *

Once again, it is the Czechs who pay. They have no option; just as they have no option but to hand over to Germany 23 per cent. of their gold reserve. The poverty of the province can be gauged from the fact that in 1936 the Slovaks provided about one-seventh of all State taxes; with the loss of Kosice and the valuable riparian plain even this fraction must now be much reduced. The best agricultural land has passed into Hungarian hands; of what remains much is only primitively cultivated. Mineral deposits are sparsely developed; in 1936, for instance, Slovakia produced half a million tons of lignite and 700,000 quintals of crude mineral oil. Bratislava, indeed, is scarcely worth a trespass. Something similar has occurred at Chust, Ruthenia's village capital. A short time ago the Federal Government appointed General Prchala to the job of hamstringing the anti-Polish activities of "Sitch," the Ukrainian nationalist organisation. A Ruthenian minister, M. Revay, has now resigned. He is a leader of "Sitch," and regards all Czech influence as harmful to his cause; which, indeed, it is. With Ruthenia under their hand as a threat ready for Poland at an appropriate moment, the Germans are well enough content that the Czechs shall have the trouble and expense of keeping the peace.

* * *

The Belgian Cabinet Crisis Continues.—Last week's chronicle of the Belgian political crisis ended with M. Soudan's acceptance of the unenviable task of trying to form a Government in succession to M. Pierlot's short-lived administration. On Friday of last week M. Soudan, in his turn, gave up the attempt, when a new formula, suggested by him, for settling the "Maertens Affair," was rejected by the Liberals. Since then, M. Max, the Burgomaster of Brussels, has been invited by the King to take up the burden, and has declined, and M. Pierlot, to whom the King has since turned once again, has proved unwilling to make a second attempt. The latest news is that Parliament is to be dissolved. There is no bright prospect in a general election in which a conflict over financial issues will be complicated by the "Maertens Affair," in which the Flemish-Walloon conflict of nationalities will be envenomed by memories of Flemish "Activism" during the war. There must be few Flemings who are seriously prepared to contemplate accepting a German yoke in exchange for the very slight inconveniences and irritations of their present somewhat uneasy partnership with their French-speaking fellow-citizens. Equally, there must be few Walloons who are determined to ride the high horse today at the risk of jeopardising their country's independence. But whatever fundamental moderation there may be in the Belgian character seems to disappear when the political parties come face to face with each other. King Leopold, in a remarkable letter, has expressed his irritation with the politicians, and there will be many to agree with him. The mood of irritation may be salutary—or dangerous.

* * *

Guns v. Butter in Australia.—Australia has been passing through a Cabinet crisis which is of much more than local significance, not only because the personalities and political colour of the Canberra Government affect many countries besides Australia, but also because the crisis arose from the almost universal struggle between rearmament and social services. Last year the Australian Parliament passed a National Health Insurance Act, but delayed its entry into force until next September. The Country Party, which shares the Government coalition with the United Australia Party, only supported this Act with reluctance, believing that it imposed burdens on the farmers without giving them compensating benefits. They are now disposed to support its continuance only if the benefits are extended to small farmers and others working on their own account, as well as to the dependants of

injured persons. The original Act had been estimated to cost £1,900,000 in its first full year, and there are many who thought even this burden too high for an armament-swollen Budget. But the Country Party's amendments would cost several more millions. Last December the three-year programme of arms expenditure, announced in the previous March, was raised from £49 millions to £63 millions, and though part of this expenditure is to be met out of borrowings, in London or in Australia, part will fall on the revenue. It is clearly not a time when very heavy new social service commitments can be lightly entered into. On the other hand, the balance of the parties in Australia is as delicate as that of the public finances. The Government's margin at the last election was of the slenderest, and its history since has been chequered. One section of the United Australia Party, led by Mr Menzies, the Attorney-General, contends that to drop the Act now would be a breach of faith and political suicide. The differences have been temporarily bridged by the promise of further inquiry. But neither the political nor the financial problem has been solved.

* * *

Arms "Profiteering."—It is salutary that public opinion should insist that undue profits are not made by companies engaged in the armament industries, and the debate on the Defence Loan Bill at the beginning of last week served a useful purpose in ventilating this view. To define what "reasonable" profits are, however, is not so easy, and it is evident from the course of the debate that several members entertain misconceptions even regarding a proper definition of profits. One spokesman gave the authority of *The Economist* for a statement (as reported in Hansard) that "60 per cent. of the money subscribed for all kinds of armaments production went to profiteers." At another point, he attributed a statement to *The Economist* that only 38 per cent. of money subscribed to armaments companies was used for production and that 62 per cent. was "sheer profit." These figures appear to be based on an analysis of rearmament boom finance which appeared in *The Economist* of October 10, 1936, in the course of which it was stated that the vendors of twenty businesses examined received 62½ per cent. of the total purchase considerations in cash and took 37½ per cent. in shares. The 62½ per cent. cash payment, of course, does not represent "sheer profit." To determine whether formation profits were excessive it would be necessary to compare the value of assets acquired by the twenty new companies with the total purchase prices paid. Even this apparent profit would include a payment for the capitalisation of expected profits in the future. And it would throw no light whatever upon the reasonableness of current profit margins on arms production.

WILLS & TRUSTS

In acting as an executor or trustee, the Westminster Bank aims at putting itself in the position of a private trustee. It is therefore its practice to employ the family solicitor, if there is one, or any other solicitor the client may name; by such means the Bank succeeds in combining domestic tradition with business efficiency. A book showing the advantages of corporate executorship and the terms of appointment may be had at any branch

WESTMINSTER BANK LIMITED
Trustee Dept., 53 Threadneedle Street, E.C.2
Also in Piccadilly, Bournemouth, Bristol, Liverpool
and Manchester

Overseas Correspondence

From Our Special Correspondents

United States

No Revival Yet

NEW YORK, March 2.—The Federal Reserve Board's index of production fell 3 points in January (when adjustments for seasonal movements had been made); and, unadjusted, it was 1 point up. This confirms the general impression that January showed no marked change in business. There was something of a sag round about the year end; and there are signs that this recession continued in February. However, such a mid-winter recession is not uncommon; and it is not necessarily significant of any trend. March and April are more "barometric" months than January and February.

BUSINESS INDICES (1923-25 = 100: Adjusted for Seasonal Movements)

	Jan., 1938	Dec., 1938	Jan., 1939*
Industrial Production, total ...	80	104	101
Manufactures	76	104	100
Durable	56	92	88
Non-durable	93	114	110
Mineral	108	109	110
Construction contracts, total	52	96	86
Residential	26	57	54
All other	73	128	112
Factory employment, total	90.0	91.6	91.5
Durable goods	83.7	83.2	83.4
Non-durable goods	96.0	99.5	99.2
Factory pay-rolls, total	75.0	86.6	83.2
Durable goods	67.1	80.4	76.6
Non-durable goods	84.0	93.5	90.6
Freight car-loadings, total	65	69	69
Miscellaneous	69	74	76
Department store sales	90	89	88
Department store stocks	71	66	67

* Preliminary.

The following table shows the important part played by seasonal adjustment in recent months.

	Manufactures Adjusted	Unadjusted	Factory Employment Adjusted	Unadjusted	Factory Pay-rolls Adjusted	Unadjusted
October, 1938 ...	96	97	87.5	89.5	83.9	84.1
November, 1938 ...	103	103	90.0	90.5	84.1	86.6
December, 1938 ...	104	98	91.6	91.2	86.6	83.2
January, 1939 ...	100	98	91.5	89.3	83.2	

In neither employment nor pay-rolls have the fluctuations been so sharp as in production. The general impression is of a January activity slightly below that of December and November. Broadly, for the past four months, the economy has been marking time.

In building, the seasonal fluctuations are more distinctly marked. The decline of non-residential building contracts is rather less than was anticipated. In residential building the figures have held up conspicuously well, and are approximately double those of a year ago. Any list of the specific recovery measures of 1938 might well include the amendments to the Federal Housing Act, passed in February, 1938. The index of residential building (unadjusted) dropped from 52 in May, 1937, to 22 in January, 1938. It then rose rapidly to 56 in September; the subsequent fall to 45 in January, 1939, was scarcely more than seasonal. This revival of residential building is largely, probably mostly, attributable to legislation.

The Employment Paradox

Perhaps the most conspicuous paradox is the contrast between the 30 per cent. rise in the index of manufactures (from January to January) and the mere 2 per cent. rise in factory employment. Even the rise in factory pay-rolls is only a little over 10 per cent. The obvious answer to these disparities is the "play" within the work-week—that in a "submerged" economy, the fluctuations will occur in the pay-roll figure rather than in the employment figure. A second suggestion is that the character of the recovery to date has brought relatively the greater expansion to industries using relatively little labour. Some, of course, refer to technological unemployment—a factor at least as old as the industrial revolution, only the term being new. None of these explanations is entirely satisfactory.

The following table sets these items together at times in the past when the index of manufactures has been in the vicinity of the present level. All the data are unadjusted, because the pay-roll index is published only in the unadjusted series.

	Manufactures	Employment	Factory pay-rolls
Average, year 1923	101	104	103
Average, year 1930	96	92	89
July, 1933	97	72	51
November, 1935	98	95	79
October, 1937	101	107	105
January, 1939	98	89.3	83.2

Not much statistical illumination can be obtained from these figures. The month of July, 1933, may be omitted as an economic freak; and the figures for October, 1937, similarly. The general import of the figures, however, is clear enough—a given index of manufacturing output seems now to be obtainable with a relatively smaller working force and a considerably smaller pay-roll than, say, fifteen years ago. This would seem to indicate two things pretty clearly—lower labour costs per unit of output and lower weekly wages per worker.

Yet neither of these conclusions is accepted by common opinion and belief. Certainly hourly wages per worker are far higher than they were ten or fifteen years ago; and high unit labour costs are frequently cited as the reason for the unsatisfactory earnings of enterprise. It is possible that the high hourly earnings do not compensate the worker for the shortening of the work-week. It is possible that unsatisfactory corporate earnings are attributable to other causes than labour costs. At all events, the data open a number of questions relevant to the basic problem of employment and unemployment—for it must be remembered that, since 1923, over 10 million, and possibly as many as 15 million, persons have come of working age, and at least half the number can be regarded as a net increment to the potential working population.

Unemployment and Confidence

Realisation of the complexity of the unemployment problem appears to be growing in the United States. For some years we were content to regard it as a cyclical phenomenon, to be met by relief expenditure financed by a "cyclical" deficit, supplemented by "spreading the work" through the shorter work-week, at first voluntarily, then compulsorily by law. But there have been increasing doubts about the

accuracy of the premises on which these conclusions rested, and an inclination to associate the phenomenon with the suspension of the flow of capital into enterprise which, except for unemployment itself, is perhaps the most conspicuous economic phenomenon of the period.

In his annual Message the President referred to the bringing together of unemployed capital and unemployed men as the first task of statesmanship. In recent weeks the same theme has been forcibly repeated by a number of authoritative spokesmen. It was the subject of an extensive pronouncement by the Executive Committee of the American Federation of Labour in mid-February. In the past week it was developed in a Press interview by Mr Morgenthau, Secretary of the Treasury; by Mr Eccles, the Chairman of the Board of Governors of the Reserve System; and by Mr Hopkins, the Secretary of Commerce. Mr Morgenthau said:—

The thing that bothers me is that the business men I see—a good many of them—seem to have a what's-the-use attitude about going ahead in their own business. I think this attitude is holding back a good many business men from expanding their businesses and taking normal business risks.

Mr Hopkins expressed the "what's-the-use" attitude in only slightly different terms:—

Among business men there exists a widespread lack of confidence. Lack of business confidence is and has been a hard stubborn fact, and may be as real a deterrent to restored business health as any we have to deal with. . . . If we could find a way to break the long jam of private investment in the field of utilities, railroads, and housing we will have gone a long way toward taking the essential steps to ultimate recovery.

France

M. Reynaud on Recovery

PARIS, March 9.—M. Reynaud in a survey of the French financial situation after four months in office, once again laid stress upon the progress made. The Equalisation Fund's gold increases daily; and the Minister of Finance has allowed for its gold stock an estimate of about 20,000 million francs. The operations of the Fund will henceforward be published every month, as in Great Britain and the United States, and with the delay which prudence recommends.

Business prospects are favourable and should improve still further, the Minister of Finance said, and it now appears that the chances of peace are much stronger than they were. The people must have confidence in the destiny of their country, he urged, and help the Government which is now planning large cuts in administrative expenditure.

Private experts, too, if not so categorical as the Minister of Finance, are generally optimistic about the immediate future of business. Encouraging progress in sales was recorded in February in the main branches of production. There was an increase of hours of work beyond 40 hours, and a simultaneous fall in partial unemployment. The number of persons wholly unemployed is still falling steadily; it was 414,756 on February 25th against 418,207 eight days before; it was still 2,370 more than in the same week last year, though the increase over last year's figures has been much reduced (in the two previous weeks it was 8,437 and 10,232).

Heavy industries are being helped by State orders, while the export trades are still being stimulated by relatively low domestic prices. Some slackening in the consumption goods, however, was seen in February, and seems to have been due partly to the fear of renewed international tension and partly to the rising cost of living.

Increased Confidence

The delay in the communication of the Italian colonial claims, and the rumour that they will in the event involve no territorial claim; the approach of peace in Spain; British and American re-armament; the Papal Conclave's choice; and rumours of an international conference, which seem to have been provoked by the British trade campaign in Europe, all these have favourably impressed the Stock Exchange, and in the last few days the trend has been upwards:—

	Nov. 5th	Dec. 24th	Jan. 28th	Mar. 4th
Stocks	206.0	246.0	219.0	236.0
Bonds	78.9	87.4	83.4	86.8
Rentes 4½ per cent. 1932	80.70	92.0	82.50	89.25

After two years of Parliamentary turmoil, the present session is proceeding with astonishing calm. There have been interminable discussions about agricultural problems and about old age pensions. Members have been unanimous about

the principle of these pensions, but innumerable difficulties have arisen as soon as the problem of financing them has come up.

In effect there is no Parliamentary Opposition to M. Daladier's Government, and this will continue at least until the Presidential Election, for which the name of the Prime Minister is increasingly put forward by his friends—and his enemies. The Socialists this week continued at their conference the endless controversy between the supporters and the critics of the Munich policy. At present it looks as if the calling of an international conference for the stabilisation of armaments and the revival of trade may offer an honourable issue to last September's acts. Many object, however, that France is badly prepared for such a step which might cost her fresh sacrifices in the cause of peace between Britain and Germany.

Stimulating Trade and Building

Meanwhile, Government and business circles are very much interested in the British campaign to develop foreign trade. An agreement has been just signed with Czechoslovakia; and others are to be negotiated with Roumania and with Germany; French foodstuffs could be exchanged against German metal products. The various Ministers concerned with foreign trade have decided to hold periodical meetings. And, in addition, the administration has urged private interests to make an effort to group themselves to develop their information services, to intensify their publicity, and to improve their methods in foreign markets. Foreign trade and the tourist industry could bring precious backing to the revival of French business, at a time when national purchasing power is exhausted by many years of monetary depreciation, increased prices and heavy taxation.

At the same time, help is already being officially given to the domestic market, and notably to building. The recovery plan of M. Reynaud entailed at the outset a curtailment of public works to facilitate the balancing of the Budget. Early in the spring the Minister of Finance will take compensatory steps to stimulate the building industry. The index of building activity (1928 = 100) is now 61, against a lowest of 51 in October, 1937. The annual average of floors built in Paris has fallen from 6,500 before the War to 400, as a consequence of two main factors: the increase in the cost of building and the prohibition by the State of normal increases of rent. M. Reynaud has decided to abolish the tax on the sale of property and the income tax on profits made on new buildings. These decrees will undoubtedly help recovery, but the present inactivity of the industry calls for more drastic remedies.

Germany

Trading Methods Defended

BERLIN, March 6.—The slight feeling of dissatisfaction in certain political circles in Berlin about the British Government's standpoint on trade questions led Dr Goebbels to attack Great Britain in his speech at the opening of the Spring Fair at Leipzig. It was easy (he said) for the Western democracies, who had sufficient food, raw materials, money and colonies, to criticise German economic methods. While Germans must use hard work and intelligence to gain the goods they lacked, democracies needed to make no such exertions.

The Propaganda Minister once more emphasised—just as Herr Hitler did in his recent Reichstag speech—that the economic situation of the German nation was more constrained than that of other nations, and that Germany was

Guaranty Trust Company of New York

Incorporated with limited liability in the State of New York

32 Lombard Street, E.C.3

50 Pall Mall, S.W.1 Bush House, Aldwych, W.C.2

27 Cotton Exchange Buildings, Liverpool

CAPITAL & SURPLUS.....\$260,000,000

NEW YORK PARIS BRUSSELS HAVRE ANTWERP

THE COMMERCIAL BANK OF SCOTLAND LIMITED

Incorporated by Royal Charter and Act of Parliament

PAID-UP CAPITAL . . . £2,250,000

RESERVE FUND . . . £3,150,000

ESTABLISHED 1810

almost in the position of being unable to procure the food-stuffs and other goods necessary to satisfy daily demand. The reason for this (as Dr Goebbels sees it) is that Germany receives too small a share of the world's goods. England should not criticise the German methods, he said. Instead, England should support German attempts to make up for their disadvantages by industry and enterprise, since if they were successful they would tend to diminish and gradually eliminate the European tensions which at present are steadily growing. Dr Goebbels's remarks no doubt constitute an answer to the frequent British criticisms of German methods of finance and foreign trade.

Passing to the colonial question, Dr Goebbels declared that a nation of 80 million people would not allow itself to be simply shut out. Since Germany had no colonies, she must export correspondingly more. Finally, Dr Goebbels repeated the warning sounded by Herr Hitler that the Third Reich was prepared to do anything to further exports and so to satisfy Germany's inescapable needs.

"Is it seriously believed that a nation of 80 millions will be satisfied so long as its economic basis is too narrow and insufficient to provide their daily bread?"

Dr Goebbels's speech had very little to do with the objects of the Leipzig Fair, and the impression in German and foreign circles here is that it was scarcely calculated to help forward the forthcoming Anglo-German industrial conversations.

Although the speeches by the British Ambassador in Berlin and by Mr Tark, the banker, on the occasion of the founding of a branch of the German-English Society in Cologne, were greeted in an extraordinarily friendly manner by the German Press, the newspapers are at the same time conducting a sharp attack on British trade policies. England is accused of extorting concessions from the Baltic States by the threat of closing the British market. Stress is laid on the fact that Germany will never permit an expansion of British exports at the expense of German business. Perhaps the sharp tone of both the Propaganda Minister and the inspired Press should be regarded, in part at least, as a tactical manoeuvre and an attempt to force England to make economic concessions, and maybe colonial ones as well.

Grain Surplus

Although Dr Goebbels once more reminded the German public of the difficulties of the present food situation, the Reich Food Department has just announced remarkably favourable figures for last year's crops. The grain crop in the Old Reich amounted to 26.36 million tons, which was $\frac{1}{2}$ million tons more than in the previous year. In addition, it is estimated that Austria produced 2 million tons and the Sudetenland 1.3 million tons, so that Greater Germany's grain crop, including maize, amounted to 29.7 million tons, or 4.2 million tons more than in the previous year. Including 3 million tons in stock, Germany's total grain holdings amount to 32.7 million tons, and demand in Greater Germany amounts to 28 million tons yearly. Thus, without taking imports into consideration, Germany should have about 5 million tons in stock at the time of the next crop; and, in addition, 2 million tons of grain were imported during the period between last year's harvest and the end of January.

The financial situation is becoming more tense. In the February report of the Reichsbank, its total responsibilities were Rm. 8,370 millions, against Rm. 6,136 millions in February, 1938; this included bills (mainly armament bills) amounting to Rm. 7,333 millions, against Rm. 5,637 millions in 1938. Inflationary signs are becoming more and more evident. Total monetary circulation has reached a point only slightly lower than the record figures of last September and December.

BANK OF MONTREAL

(Incorporated in Canada in 1817 with Limited Liability)
Financial Agents of the Government of the Dominion of Canada in London
CAPITAL PAID-UP ... \$86,000,000
REST AND UNDIVIDED PROFITS \$40,183,254
TOTAL ASSETS IN EXCESS OF \$850,000,000
Head Office: MONTREAL
Sir Charles Gordon, G.B.E., President.
H. R. Drummond, Esq., Major-General The Hon. S. C. Mewburn, C.M.G.,
W. A. Bog, Esq., Vice-Presidents. Jackson Dods, G. W. Spinney, Gen. Managers.
LONDON COMMITTEE { The Most Honourable The Marquess of Willington, P.C.,
G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman).
F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B.,
Sir Frederick Williams-Taylor.
London Offices: 47 Threadneedle Street, E.C.2 (Edward Pope, Manager)
9 Waterloo Place, Pall Mall, S.W.1 (J. H. Pangman, Manager)
The Bank undertakes banking business in all parts of the world,
and with its numerous branches offers special facilities in Canada,
Newfoundland and the United States

New Ways of Financing

As a result of the money shortage, numerous authorities, particularly the military authorities, have begun to issue what are now called "acknowledgment certificates" (*Anerkennungsscheine*). These instruments replace the familiar forward Treasury bills. The novel procedure arises from the fact that the financial authorities now restrict the use of cash and Treasury bills within the limits of the various departmental budgets, so as to have a stricter control over the expenditure of the individual departments. The issuing of "acknowledgment certificates" is an evasion of this control, and is all the more dangerous since it may become customary under certain conditions. There is, furthermore, the danger that the banks may be swamped with these instruments, which have no definite currency and bear no interest. The authorities point out that the issuing of "acknowledgment certificates" was forbidden at once, and that "issuers" were made subject to arrest. The circulation of these "acknowledgment certificates" (unofficially estimated at about Rm. 1,000 millions) is said officially to be only trifling (about Rm. 50 millions). Since no accounts, and only incomplete reports about public debt, are published in the Third Reich, any reliable control over the above-mentioned procedure is impossible.

Supplementing the measures taken by the Reichsbank and Golddiskontbank to help the financing of exports, the German clearing house has remitted the tax of 1 per cent. per annum on payments to German exporters. And the Reichsbank has taken steps to eliminate exchange risks by offering to buy bills covering those risks. The repayment of these bills is made by the delivery to the Reichsbank of the export proceeds. Their currency is usually three months, but this may be prolonged; and the discount rates for these bills correspond with those of the country in whose currency the bill is drawn. In cases where bills covering exchange risks cannot be used, the Reichsbank arranges Golddiskontbank or standstill credits in favour of the exporter; and, taken together, these measures constitute a considerable easing of export financing.

Holland

The Guilder Depreciating

AMSTERDAM, February 27.—A pronounced ambiguity characterises the monetary situation in the Netherlands. Both sterling and dollars show a gradual but persistent advance, as does also the price of gold at Amsterdam. The causes of this movement are hard to define, especially as few details bearing on the monetary position are nowadays published in the Netherlands. Returns relating to the exportation and importation of gold no longer appear, and information of the Netherlands Bank's holdings of gold has lately been withheld, while our Equalisation Fund, contrary to the practice in England, no longer gives a periodical account of its operations.

One has to resort, therefore, more or less to mere guesswork in forming a judgment. In some quarters it is asserted that the further depreciation of the guilder is attributable to the withdrawal of French capital from the Netherlands. The accuracy of this assertion cannot reliably be checked, but it is a fact that transactions on the Amsterdam foreign exchange market have been of extremely small compass recently. Any withdrawal of French capital must have been of limited extent, and having regard to this, the Equalisation Fund would certainly have been capable of supporting the guilder.

On the whole, the opinion is thus gaining ground here that the Minister of Finance is, if anything, availing himself of the opportunity to bring about a depreciation of the guilder. Since sterling declined further in terms of dollars, the sterling rate in the Netherlands had gradually dropped to 8.5 at the beginning of January, 1939, and this was necessarily detrimental to the interests of Dutch shipping companies, plantation companies and, in short, to her entire exporting business with countries comprising the sterling bloc. During the past year supplies of capital exceeded normal investment requirements to such an extent that, despite some flight of capital, hoarding of gold, etc., capital lying idle again increased materially, although more slowly than in 1937. The capital that has become available on the Netherlands money market since the depreciation of the guilder in September, 1936, may be computed at between 1,000 and 1,200 million guilders. Most of these funds, for which no employment can be found, are lying idle at the Netherlands Bank. The influence which such a superabundance of capital

exerts on the course of interest rates can scarcely be exaggerated.

It goes without saying that our Government is desirous of restoring the competitive powers of Dutch exporting interests by a revision of the sterling rate to its former level. There is all the more reason for thinking that the authorities are not averse to a depreciation, now that the Government, introducing an amendment raising some import duties, has issued a statement that: "Ministers wished to reiterate emphatically that the Government regards a competitive level of production costs as being a matter of primary importance for our industries, and it is proposed to maintain this by all means within their power."

This amendment to the tariff legislation provides for higher import duties on goods produced by six groups, viz. the glass and earthenware industries, the textile and clothing trade, the paper industry, the wood and wood-working industry, the leather and leatherware industry, and the metallurgical industry. The increases in the import duties will amount respectively to:—

Ad valorem	
Present Duty	Proposed New Duty
3 per cent.	6 per cent.
6 "	10 "
8 "	12 "
10 "	15 "
12 "	18 or 20 per cent.

The Government's aim in proposing these increased duties is to encourage the sale of Dutch products in the home market, and thus increase employment. It is claimed that, in consequence of the export policies adopted by foreign governments and their methods of discriminatory price fixing, the prices which Netherlands producers can command in their own market have in many cases been depressed to a level making remunerative production absolutely impossible. With higher import duties, even assuming that imports remain on the same scale, the relation between production cost and selling prices for producers will considerably improve. The Government emphasises that the price increase involved will neither be exorbitant nor burdensome, and that there is no intention of adding to the present proposals in the near future. An increased revenue of 5 million guilders is anticipated.

That measures of this kind were badly needed is evident from the fact that on January 28, 1939, there were still 404,407 registered unemployed in the Netherlands. Expressed in percentages, this figure makes a satisfactory showing in comparison with preceding years, viz. 38.0 per cent. in 1936, 36.1 per cent. in 1937, and 27.7 per cent., compared with 31.0 per cent. in 1938. To provide employment, the Government have ordered two new cruisers from Rotterdam yards.

Decline in Trade

The value of both imports and exports showed a slight decline in January, 1939. The following table summarises our foreign trade, month by month, during recent years:—

	Imports			Exports			Percentage of imports covered by exports	
	1937	1938	1939	1937	1938	1939	1937	1938
January ...	106	119	112	73	82	79	68.9	69.0
February ...	105	118	...	79	82	...	75.2	69.4
March ...	125	120	...	94	90	...	75.4	75.1
April ...	142	115	...	101	81	...	71.2	70.1
May ...	128	110	...	90	83	...	70.4	75.8
June ...	140	119	...	95	81	...	67.8	68.0
July ...	146	120	...	102	78	...	69.7	65.0
August ...	122	115	...	98	90	...	80.3	77.5
September ...	130	117	...	113	101	...	87.0	86.7
October ...	149	127	...	106	98	...	71.5	77.0
November ...	130	119	...	98	92	...	75.1	77.6
December ...	127	117	...	98	82	...	77.4	70.3
Totals ...	1,550	1,415	...	1,148	1,039	...	74.1	73.4

Standstill in Activity

The last quarter of 1938 saw a comparative standstill in the trend of activity, though several indices did show some improvement. Activity in the building trade has increased, stimulated by low rates of interest, coupled with the difficulty of finding suitable objects for investment. The value of house property belonging to life insurance companies alone has increased by no less than 65 million guilders in the course of the past two and a-half years.

The improvement experienced by the metal trades is, of course, largely attributable to armament requirements. Ship-building indices, however, are falling; the industry is still

fairly busy, but insufficient orders are coming in to replace those now in hand or completed. But the position of Dutch shipping can scarcely be described as unsatisfactory; freight rates fell substantially in the course of last year, but many Dutch owners running on regular line routes are not directly dependent on the general course of the freight market, and other owners had their vessels out on time charter at satisfactory rates. The operating profits of the Holland-America Line advanced from 309,583 guilders in 1937 to 5,127,072 guilders in 1938.

Latvia

An Authoritarian Economy

RIGA, March 3.—The remarkable increase of State control in Latvian industry which we commented upon recently (Commercial History for 1938, *The Economist*, February 18th), noting that out of a total of 6,600 million lats invested in the Latvian economy, 2,000 millions might be attributed to the State, is strikingly brought home by the estimate that 35 per cent. of State receipts are produced by taxes on State and part-State enterprises. A large number of industrial undertakings are indirectly State-controlled, including electricity works, machinery works, spas, sugar refineries, an insurance institute, a wheat office, a ships' chandlery, a slate quarry, and various other businesses. In recent years, the State has been active in helping to start a number of enterprises, and in this way has monopolised the export trade in meat, dairy produce, and seed. The Latvian Kredītbank is a central organ of this activity; and connected with the bank are the Finance Ministry and the Post Office Savings Bank.

The co-operative movement has shown considerable development in recent years; and here, too, the State has made its influence felt. The A/G Turība, the most important of Latvia's importing firms, acts as central organisation of the co-operative movement. An important State enterprise has lately been formed for the purpose of controlling the hide and wool markets, which at one time were run by Jewish capital. In the sawn timber and timber export trades the State has also founded an enterprise designed to bring the whole organisation under one control. With all these State and part-State undertakings, there has arisen a very tight interlacing of capital. The President and the Minister of Finance have stated more than once that the State's activity in industry is partly for the purpose of market regulation throughout the country, and partly for the purpose of making good a lack of capital and thereby strengthening the Latvian element in industry.

Compulsory Organisation

From the organisational point of view, too, the State's intervention is welcomed, and there is no question of putting a drag on its development. A decree will shortly be published for the compulsory cartelisation of single industries into special groups, and leaders for these groups will be appointed by the Finance Minister. The reason adduced for this is that industry must be rationalised. All this preparation and activity has, not unnaturally, left private industry, including that financed by foreign capital, with a certain feeling of insecurity.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

OVER 500 BRANCHES IN
THE UNION OF SOUTH AFRICA
KENYA - TANGANYIKA - UGANDA - NYASALAND
NORTHERN & SOUTHERN RHODESIA - EGYPT
SUDAN - PALESTINE - PORTUGUESE EAST AFRICA
SOUTH-WEST AFRICA - BRITISH WEST AFRICA
BRITISH WEST INDIES - BRITISH GUIANA
GIBRALTAR - MALTA - CYPRUS - MAURITIUS
LONDON - LIVERPOOL - MANCHESTER - HAMBURG
AGENCY: NEW YORK

HEAD OFFICE:
54 LOMBARD STREET, LONDON, E.C.3

BARCLAYS BANK (CANADA)
MONTREAL & TORONTO

A factory will shortly be laid down for the manufacture of Ford motor cars under licence. The veneer wood industry is to be the subject of cartelisation in order to reduce the number of firms and to rationalise labour; and this control is to be extended to the sawn wood and building timber industries. Owing to a poor sugar beet harvest, the State sugar refinery has had a reduced turnover during the past year. Harvest figures were given in the Commercial History already referred to.

Latvia is, indeed, a fully authoritarian State in which no opposition may be permitted to its economic policy. In the name of national necessity the State has entered the business of production and thereby weakened the hold of private enterprise, not excluding foreign interests. There is in Latvia to-day no branch of industry in which a more or less privileged State enterprise is not working; and, although this development is not yet completed, it may already be said that the State is the biggest industrialist, the most extensive banker, and the leading salesman in the country. It is a process that is more and more being accelerated.

The most important job which the State undertook in 1938 was the construction of a power station in Keggum, and when it is ready this station will supply the whole country with current. The project was paid for out of State receipts, and in connection with this a large internal loan was floated.

Owing to diminished timber exports, foreign trade showed a less satisfactory picture in 1938 than in the previous year, but the balance of payments was nevertheless favourable, owing to the active part played by the Latvian merchant fleet, consisting of one hundred ships with a total British registered tonnage of 192,000 tons. In line with conditions abroad, the index of wholesale prices (1913 = 100) fell from 115 in 1937 to 112 in 1938, although the index of the cost of living rose at the same time from 86 to 90.

Canada

OTTAWA, February 17.—The Federal Parliament has made very little progress in the first five weeks of the new sitting. An abnormally long debate on the Address was followed by a full week's discussion of the Bren gun contract; and from this the King Ministry has derived a great deal of damaging publicity. Having accepted the motion of a member of the Co-operative Commonwealth Federation to refer the contract and all relevant documents to the standing committee on public accounts for further investigation, the Government voted down a Conservative amendment which proposed the contract's outright cancellation. Conservatives took the line that, since the committee would be packed with a Liberal majority, it was certain to produce a whitewashing report; and their speakers accused Mr Mackenzie, the Minister of National Defence, of being both incompetent and derelict in his duty. The speech he made in his own defence was said by the *Winnipeg Free Press*, a Liberal paper, not to answer the real charges brought against him, and his abuse of his critics to be discreditable, coming from a member of the Government.

New Wheat Policy

On February 16 the Federal Government announced an important change in its wheat marketing policy. The present plan of a fixed minimum price for wheat on the basis of 80 cents per bushel for No. 1 Northern, the highest grade at Fort William, has in practice resulted in farmers with no crops getting no benefit, and farmers with good crops securing a substantial bonus which they did not really need. This has meant political damage to the Government in the West, and the plan is to be abandoned.

Legislation will be introduced this session for a new plan which will take the form of an acreage bonus; no details are available, but the policy will be of a permanent nature to cope with emergencies arising from failure of crops or lack of markets. According to the Minister of Agriculture it will aim at encouraging home-building in the prairie provinces rather than at increasing wheat production. The Government has also committed itself to legislate on the three main recommendations of the Turgeon Commission on Grain Marketing. These were that the Government should stay out of the business of wheat marketing, leaving it to be conducted through the "futures" grain market; that the grain exchanges should be brought under adequate supervision; and that the formation of co-operative marketing associations or pools should be encouraged. Spokesmen of the Conservative and C.C.F. parties gave a sympathetic welcome to the proposals of the Minister of Agriculture, although they did not endorse all of them.

In the West, the farmers and the grain traders have for the

first time made common cause; and a committee, which was set up at the Prairie Markets' Conference held at Winnipeg in December, met last week at Saskatoon and formulated a programme of assistance to Western agriculture. This programme was submitted to the Federal Government on February 28th.

Monetary Discussions

The Government is seeking authority from Parliament to borrow money, up to 750 million dollars, for refunding operations as far as 1940. The legislation has produced some interesting discussions about Canada's monetary and financial policy. The Social Creditors and Mr Tucker, a prominent Western Liberal who is also a monetary reformer, protested against further borrowings from the public when Canada's gold reserves were sufficient to permit a large expansion of the currency. Mr H. H. Stevens, a former Minister of Trade and Commerce, alleged that the Canadian dollar was now firmly tied to the American, and argued that Canadian producers would benefit if, instead, it were deliberately tied to sterling. Mr Dunning, however, after denying the allegation that the Canadian dollar was tied to the American, would not accept Mr Stevens' suggestion, and declared that it was the policy of the Government to keep its currency completely independent and let the Canadian dollar rise and fall "with the tide of trade." There was some criticism of certain aspects of the country's financial situation, including the danger of incurring further obligations in the United States; and Mr Dunning, to meet these criticisms, intimated that the Governor of the Bank of Canada and some of his officials would place themselves at the disposal of the standing committee on banking and commerce, for the purpose of explaining the working of and the motives behind the financial policies now being pursued co-operatively by the Government and the Bank.

Business Marking Time

With February the winter has become much more severe, and heavy snowfalls have blocked highways and hampered trade in rural areas. Business is still affected by the uncertainties of the international situation, heavy commitments ahead being avoided by many people. Conditions remain relatively stable, however, and the business level for January, 1939, was higher than in January of last year, the Bureau's index of the physical volume of business for the month being 116.4, as compared with 111.8.

The general economic index of the Bureau of Statistics shows a decline:—

Week ending	Car-loadings	Wholesale Prices	Bank Clearings	General Index
Feb. 12, 1938	79.98	83.6	90.5	108.2
Jan. 28, 1939	74.1	73.2	93.7	107.3
Feb. 4, "	72.3	73.2	100.5	107.5
Feb. 11, "	71.9	73.0	92.3	107.1

Department store sales in dollars in January showed, as usual, a heavy decline of 59 per cent. from the December figure, but were only 3 per cent. below that for January, 1938. The mining industry remains active, and the production of gold in January was 438,699 fine ozs., compared with 359,549 ozs. in January, 1938; while exports of copper, nickel and zinc, at 354,407, 193,109 and 281,288 cwts. respectively, were only slightly below the figures for January, 1938. Newsprint production is still at the low level for January of 208,382 tons, compared with 209,753 tons in December and 222,500 tons in January, 1938.

Conditions for manufacturers remain variable. Heavy industries are still short of orders; the output of iron and steel in January was respectively 57,660 and 78,200 tons, compared with 74,862 and 107,753 tons in January, 1938.

Foreign Trade

The following are the foreign trade figures for January, with comparative data:—

	January, 1938	December, 1938	January, 1939
Imports	\$49,719,835	\$44,285,986	\$43,753,810
Exports	\$72,234,169	\$70,452,224	\$81,773,462

The increase in the January exports is largely due to the inclusion of about 10 million dollars for exports of gold bullion, of which practically none was exported in December.

The yield of Federal revenues for January was again discouraging, amounting only to 33½ million dollars, compared with 35½ millions in January, 1938. Expenditure for the month, at 49½ millions, was down by 2½ millions in the same comparison. For the first ten months of the fiscal year 1938-39, the revenue total is 428 million dollars, compared with 438 millions in the previous parallel period. Total expenditure, without including certain important items like the wheat subsidy, was 416 millions, compared with 413½ millions in January, 1938.

Letters to the Editor

Profits in the United States

TO THE EDITOR OF THE ECONOMIST

SIR,—I beg to reply to the interesting observations and query in the letter from Mr A. C. Dobbs (*The Economist*, January 21, 1939, page 125) on Anglo-American Treasury financing and the "absurdity" of paying 2½ per cent. on 25-year borrowings, when short-term funds can be secured at almost no cost. This divergence in yield seems to substantiate clearly the extent of the money market's present abnormality, rather than the charge of debt mismanagement. It is profound scepticism about the permanence of the negligible current interest rates, on the part of lenders as well as borrowers, that has motivated the great disparity between the rates on long- and short-term paper. The commercial banks and other lenders concerned with the preservation of capital values are deterred from switching into the much higher-yielding long-term issues by the expectation of changes in present money rates. How then can the Treasury sooner than the lenders be expected to gamble on the expectation that the current money market conditions, which are necessary to enable cost-less refinancing by notes, will continue indefinitely?

Although the composition of the United States Government debt has been improved materially during the last three years, even now almost 40 per cent. of our total direct obligations matures within five years—contrasted with only 18 per cent. in short term maturities in 1930. Assuredly, there is still a very long way to go in lengthening—not shortening—the debt's average maturity, and transferring it from the books of the banks into the hands of genuine investors. Does accomplishing this at a 2½ per cent. cost conceivably constitute "absurdity" or mismanagement?

Mr Dobbs contends that our enormous gold stock, instead of functioning to settle international transactions and protect the exchange, justifies further increases in our floating debt.

This overlooks the fact that the basic security backing Government debt is not gold, gobbled up from the rest of the world at an inflated price, but *taxation*.

Faithfully yours,

New York City.

A. WILFRED MAY.

Jugoslavia's Peasant Problem

TO THE EDITOR OF THE ECONOMIST

SIR,—The interesting report on economic conditions in Jugoslavia in your Overseas Correspondence section on February 25th (page 394) was most timely. The population problem in its more Malthusian aspect, in Jugoslavia as well as in Central Europe as a whole, is of the greatest importance. You quite rightly point out that 80 per cent. of the peasants in Jugoslavia have less than 5 hectares of land, but this does not quite explain the problem. To-day Jugoslavia has 81.6 peasants to every square kilometre of productive land (including forests and pastures), while Denmark has 33.97 and Germany 47.63—the only two countries in Europe with higher figures being Italy (90.4) and Bulgaria (89.6). Excluding forest and pastures, the figure rises in Jugoslavia to 156.8 peasants to the square kilometre.

There are three possible solutions. First, more intensive and more efficient exploitation of the land (for which, in the opinion of experts, there is not very much scope), taking into wheat production both forests and pasture land; and a return to large estates by means of peasant co-operation could be contemplated, which would stop the further division of land holdings and increase efficiency. Secondly, the problem could be solved by emigration, which was developed on a large scale before the war. Thirdly, there is the way of industrialisation, diverting the surplus peasant population into industry. The policy of industrialisation is the most probable.

I am, Sir,

Yours sincerely,

UILLAN FISTER.

Cambridge.

20 Years to Compile: £60,000 to Produce

HARRAP'S STANDARD French and English Dictionary

Edited by J. E. MANSION

- The first comprehensive bilingual dictionary produced in England or France this century.
- The first to deal fully with commercial, naval, military, legal, and technical terms.
- The first to translate words and phrases into the idiom of to-day.

Financier, merchant, politician and research student will find this work meets his most exacting test. Such phrases as *controlled currency*, *token payment*, *the slump*, *storm-trooper*, *peaceful penetration*, are among the hundreds of modern expressions correctly rendered.

PART II (ENGLISH-FRENCH) 1,500 pages, 63/- net. READY.
PART I (FRENCH-ENGLISH) 928 pages, 42/- net. Pub. 1935.

See the work at your booksellers (available on extended terms). 8-page prospectus from

HARRAP (Dept. 7)
182 High Holborn, London, W.C.1

New Boom Ahead

Another Challenging Forecast
by

Major L. L. B. Angas

Internationally known Investment Consultant. Author of "Investment for Appreciation," "The Problems of the Foreign Exchange," etc., etc.

In this challenging new pamphlet Major Angas explains how Hitler is indirectly inaugurating industrial revival in England, which will be preceded by a Stock Exchange boom. Suggestions are made as to how to ride the coming boom.

Previous Forecasts		
FORECASTS OF FALLS		
	Date	Subsequent Decline
Reparations, Trade, and Foreign Exchange (Forecasting the collapse in the German mark)	Feb. 1921	99%
Coming Collapse in Rubber	Jan. 1926	80%
Coming Collapse in Gold. (Included alternative forecast of further boom if America revalued ...)	Nov. 1933	
Slump Ahead in Bonds (U.S.A.)	Feb. 1937	10%
FORECASTS OF RISES		
	Date	Subsequent Advance
Coming Rise in Gold Shares ...	Feb. 1931	150%
Coming (English) Boom ...	Sept. 1931	100%
Stock Market Tactics (Forecasting the Bond Boom, etc. in England)	Jan. 1932	28%
Coming Rise in Wall Street ...	Apr. 1933	190%
Coming American Boom ...	July 1934	100%
The (American) Boom Begins ...	Apr. 1935	65%
The Coming Rescue-Inflation (and Scramble for Stocks) U.S.A. ...	Apr. 1938	45%

Tear out this advt., ENCLOSE 5/-, and post to:

(Dept. B), ST. CLEMENTS PRESS, Portugal
Street, London, W.C.2

Books and Publications

Printing House Square

IN 1842, the year in which Peel's Budget introduced a new era in English public finance which did not end until 1932, and the year before *The Economist* was founded to strike at the last stronghold of the old Protectionism, the Corn Laws, John Thadeus Delane became editor of the fifty-odd year-old *Times*. Its circulation was then in the neighbourhood of 20,000. Six years later it was 30,000; and, in 1850, at 40,000 it was four times the circulations of *The Chronicle*, *The Herald* and *The Post*, *The Times*' chief rivals, put together.

The Times' first Empire, which could be measured by the numbers of its readership, did not last very long. By 1870 or so, only a few years before Delane's long reign ended, its circulation of some 60,000 was far outstripped by the 150,000 of *The Daily News* and the 200,000 of *The Daily Telegraph*, penny papers both. Faced by the spread of outstanding provincial journals in the late 'fifties and the rise of a cheap and vigorous Press in London, *The Times* had to carve out a new niche in a select and influential, though relatively small, corner of the newspaper world.

The measure of *The Times*' exclusiveness, then as now, was its price. At the outset of Delane's editorship it cost 5d., the same as its contemporaries. From 1861, when the paper tax was repealed, to 1913, it cost 3d., despite the advent of the penny Press. It gave more for the reader's money—at least during the great Delane period, which is the subject of the second volume of Printing House Square's own autobiography.* And it was struck a severe, and deliberate, blow by the Act of 1855, which introduced a new postal rate for newspapers based on weight. Not that *The Times* suffered at all fatally from the price of posting or the rise of rivals. The chief proprietor and the other owners of the paper in normal times, throughout the Delane era, drew in dividends something like £1,000 for every 1,000 of circulation. Many of the main innovations in printing technique and distribution arrangements were devised in Printing House Square. And the complaint that the country was "ruled by *The Times*" was chronic throughout the period.

The leading journals now are place hunters of the Court, and the once stern guardians of popular rights simmer in the enervating atmosphere of gilded saloons, declared Disraeli in 1858. It was widely believed that the "dangerous eminence" of *The Times* was due to its sycophantic connection with certain Ministers. This was never really true. Delane, veritable embodiment of John Bull himself, assiduous, unflagging, patient, blunt, peaceable and kind, was a pragmatist. He had no axes to grind, as his more literary and better educated leader-writers usually had. He wanted news, and he went to the horse's mouth to get it. Aberdeen, Sir Charles Wood, Clarendon, Russell and even

* The Tradition Established (1841-1844). Volume II of *The Times's History*. Printing House Square. 622 pages. 15s.

By GRAHAM HUTTON
(Formerly Assistant Editor of "The Economist")

Danubian Destiny

A balanced and logical exposition of the complicated problems in Europe to-day resulting from the Munich Agreement. "An extraordinarily useful handbook. . . Mr Hutton is particularly to be thanked for his clear exposition of the Schacht wizardry which has hitherto enabled Germany to flout the rules of the economic game without a spectacular collapse."—ELIZABETH WISKEMANN (*New Statesman*). 8/6 net.

HARRAP

the once-hated Palmerston were, at one time or another, profitable friends; but only seldom did Delane's lack of original ideas lead him into subservience. He "dined out" because he was a newspaper man.

My whole life is bound up with the paper: I must work for it or not at all.

Delane's confession was quite genuine; and his loyalty to the paper was shared by Mowbray Morris, the manager (whose query to a ditchwater dull Correspondent: "Do the Viennese never commit murder or rape?" is classical) and John Walter III, the chief proprietor. Together they founded the tradition of *The Times*; and it was an independent tradition.

The first duty of a newspaper is to obtain the earliest and most correct intelligence of events . . . and to make them the common property of the nation.

To find out the true state of facts . . . and to call down the judgment of the world on what is base or false or tyrannical appear to me the first duties of those who write.

Those [newspapers] will obtain the largest measure of public support who have told the truth most constantly and most fearlessly.

There were only occasional lapses. The American Civil War was one: Delane and Walter had "no desire to see the Union preserved," and Morris hated the Yankees. Partially, they backed the South and, when the war went against them, *The Times* was "furious and scolded like a drab."

This was exceptional. True, their leader-writers had often hampered prejudices, especially Henry Reeve, Clerk of Appeals to the Privy Council, *Il Pomposo*, who wrote 2,482 articles in 15 years and 4 months and earned about £13,000. Reeve's attacks on the "licentious Court" of Napoleon III were most inconvenient; his fondness for "his beloved Austrians" obscured his judgment about the Eastern question; while his indictment of "degenerate . . . and paltry German princes" was "a dagger in the Queen's heart." Robert Lowe, too, brilliant journalist as well as successful politician, was a handful; and his anti-Reform bias, as one of the Adullamites, did not help *The Times* to be open-minded.

Indeed, *The Times*, in these high days, was very blind to many social and political questions. Paladin of the Victorian middle class, it only seldom found news in workpeople and workplaces; and, in any case, its daily verbatim reports of the Commons' debates, its multi-column leaders by brilliant donnish writers, and its unrivalled foreign correspondence left little room for new matter.

The Times was greatest in the Crimean War, when its most famous correspondent, W. H. Russell, won the war and saved the troops by his revelations. For the most part, after that, the telegraph, the cable and the despised agencies broke its monopoly of first-rate news. In the European wars of 1859, 1866 and 1870 *The Times* was decisively beaten by its rivals. In 1842 it was a newspaper. In 1877, when Delane went, it was an institution.

This autobiography is sometimes smug. It is by All Souls out of Printing House Square. But it is admirable. It is a remarkable achievement as an historical work alone; and no reader will be able to escape the fascination that is on every page.

Books Received

Mining Year Book, 1939. Compiled by Walter E. Skinner. (London) Walter E. Skinner, 15, Dowgate Hill, E.C.4., and *The Financial Times*. 872 pages. 20s. net.

The fifty-third issue of this standard work of reference fully maintains its high standard of usefulness. In addition to particulars of each mining company, the book contains informative tables, maps, and lists of directors and engineers.

Monopoly and Competition in the English Coal Trade, 1550-1850. By Paul M. Sweezy. (London) H. Milford. 186 pages. 10s. 6d. net.

An Enquiry into the Nature and Effects of the Paper Credit of Great Britain (1802). By Henry Thornton. Edited by F. A. v. Hayek. (London) Allen and Unwin. 368 pages. 12s. 6d. net.

The Evolution of Finance and Capitalism. By G. W. Edwards. (London) Longmans. 429 pp. 18s. net.

The Growth of Modern England. Second Edition Revised. By Gilbert Slater. (London) Constable and Company. 642 pages. 18s. net.

THE BUSINESS WORLD

American Banking: 1933-1939

IT is six years this month since, in one of the most astonishing coincidences of economic history, the long run on the American banks culminated in final and total closure on the very day that a new President took office. March 4, 1933, was the beginning of decisively new phases both in the politics and in the finance of the United States.

The nature of the political New Deal has been explained, debated, praised, comminated, dissected and analysed until there are few minds in America or in Europe that have room for new opinions on it. But perhaps the most eloquent testimony to the change that has come over American banking lies in the fact that the stream of discussion of banking problems, which ran at the flood in 1933 and for two or three years afterwards, has dwindled to a trickle. The American public is showing a disposition to leave banking again to the bankers. The chief reason for this can be seen in the first table of the collection of relevant statistics printed at the foot of this page. Even in the prosperous 1920's, an average of two banks, with deposits of \$300,000 each, failed every working day. Since the bank "holiday" in 1933, bank suspensions have been radically reduced. Apart from 1934, when most of the suspensions were delayed effects of the "holiday," the number of suspensions has been reduced to one a week, and the highest total of deposits affected in any year was \$19,723,000 in 1937. In countries unaccustomed to banking failures, these figures would seem large enough in all conscience. But in the United States they make so favourable a comparison with past years that the problem can be regarded as almost solved—at least for the time being.

A bank suspension, moreover, no longer causes dead loss to the depositors. The banks holding by far the largest part of the country's total deposits are included in the Federal

Deposit Insurance Corporation, and most small depositors are paid their deposits in full in the event of a suspension. This system has undoubtedly been a powerful assistance in the re-creation of banking confidence. It is significant, however, that most of the casualties are among insured banks. It would appear that insurance does not prevent failures. Moreover, the great reduction in the number of failures among the small banks (all non-insured banks are small) would seem to show that it is something other than insurance that has eliminated failures. In the present, this reflects a fundamental soundness in American banking. For the future, however, it suggests the less comforting conclusion that deposit insurance has not yet been tested against really difficult conditions.

It is, in fact, not so much the unprecedented device of insurance as the unparalleled degree of liquidity that has so largely removed the curse of bank failures. A preliminary survey of this liquidity can be gained from Table II. The total deposits of all banks of all kinds in the United States (whose number, incidentally, is only half the peak figure of 1921) is now virtually as high as in 1929. Nevertheless, the total of bank debits in the principal cities in 1938 was only some two-fifths of the 1929 level. Even in prosperous 1937, the figure was less than 50 per cent. Clearly there is in the United States a superabundant supply of credit, but stagnation in its use.

The analysis can be carried further in Table III, which refers not to all banks in the United States nor even to all the member-banks of the Federal Reserve system, but to those city member-banks which make weekly reports of their condition. Their deposits, it will be seen, have very greatly expanded and (allowance being made for changes in the method of reckoning) stand well above the 1929

I.—BANK SUSPENSIONS

	No. of banks	Total Deposits (\$000)
1921-1929 (average) ..	635	180,607
1930	1,352	853,363
1931	2,294	1,690,669
1932	1,456	715,626
1933	4,004	3,598,975
1934	Insured 9 Non-insured 48	Insured 1,952 Non-insured 34,985
1935	26	9,076
1936	41	10,714
1937	53	19,243
1938	49	11,968

Federal deposit insurance became operative on January 1, 1934.

II.—BANKS, DEPOSITS AND DEBITS

June	All U.S. Banks		Debits to individual accounts, principal cities
	No. of banks	Total Deposits*	
1915	26,605	\$ millions 19,131	...
1920	29,829	37,721†	...
1921	30,560†	35,742	850,522
1922	25,576	56,766	982,531
1923	25,110	53,852	303,215†
1924	14,519	37,998	356,612
1925	15,835	41,870	402,718
1926	15,994	45,766	461,889
1927	15,752	53,287	469,463
1928	15,527	52,195	405,834
1929	15,287		

* Excluding inter-bank deposits. † Peak of the immediately post-war years. ‡ December. § 11 months.

III.—REPORTING MEMBER BANKS IN 101 CITIES (\$ millions)

March Av.	Loans	Govt. securities	Other securities	Reserve with F.R. Banks	Demand deposits adjusted*	Time Deposits†	Borrowings from F.R. Banks
1929 ..	16,491	5,981		1,715	{(13,288)† (11,609)‡}	6,839	740
1933 ..	8,916	4,717	3,161	1,460	7,695	4,756	623
1934 ..	8,711	6,686	3,159	2,678	7,095	4,872	9
1935 ..	8,140	8,594	3,027	3,481	11,800	4,879	10
1936 ..	8,226	9,984	3,238	4,363	13,881	4,923	13
1937 ..	9,286	10,008	3,316	5,205	15,429	5,142	3
1938 ..	8,884	9,151	3,037	5,724	14,360	5,239	7
Jan. 25 1939 ..	8,281	9,919	3,228	7,596	16,152	5,300	...

* i.e., Demand deposits less inter-bank and Government deposits and cash items in course of collection.

† Excluding inter-bank deposits.

‡ "Net demand deposits," not strictly comparable with "demand deposits adjusted."

IV.—FEDERAL RESERVE BANKS (AND TREASURY) (\$ millions)

End March	Gold Stock	Dis-counts	U.S. Govt. Securities	Total Reserve Bank Credit	Money in Circulation	Member Bank Reserve Balances	Of which excess
1929	4,188	1,295	172	1,536	4,748	2,357	40.9*
1933	4,282	731	1,838	2,572	6,320	1,949	249
1934	7,694	83	2,447	2,545	5,394	3,457	1,444
1935	8,567	13	2,437	2,471	5,493	4,247	1,846
1936	10,184	12	2,430	2,474	5,877	5,087	2,305
1937	11,574	15	2,430	2,458	6,377	6,639	1,398
1938	12,795	14	2,580	2,611	6,355	7,287	1,546
End Dec. 1938		5	2,564	2,601	6,856	8,724	3,205
Jan. 25 1939	14,512	6	2,564	2,583	6,623	9,166	3,597

* Average for month.

figure, although the figure for *all* banks is no higher. This shift in the distribution of deposits is due partly to the higher mortality of rural banks (and is therefore probably compensated in part by the consistently higher volume of circulation of currency, which can be seen from Table IV) and partly to the fact that idle funds naturally congregate in the urban financial centres.

The most remarkable feature of Table III, however, is the fact that the great increase in deposits is unaccompanied by any increase in loans and advances or in the indirect provision of funds to industry by purchases of securities other than those of the Government. If January, 1939, be compared with March, 1933, the "adjusted" demand deposits of the reporting banks have increased by \$8,457 millions and time deposits by \$544 millions, a total increase of almost exactly \$9,000 millions. Borrowings from the Reserve Banks, on the other hand, have completely disappeared. The net increase in these three main liability items is a little less than \$8,400 millions. On the asset side, loans and "other" securities show a combined drop of \$568 millions. Holdings of Government securities have risen by \$5,202 millions and reserves kept with the Reserve Banks by \$6,136 millions. Thus, broadly speaking, of the funds they have received in increased deposits and capital items, the commercial banks of the country have left half standing idle in their reserve accounts and have used the other half in financing the deficit of the Federal Government. None of the increased supplies of money have gone to meet the needs of industry and trade.

For this result the banks of the country are not to be blamed. They are certainly not restricting the demand for credit by demanding excessive rates of interest. The average rate charged to customers in 27 southern and western cities is now no more than 4.1 per cent., and the figure is lower in the cities of the east and north. The explanation must be found deeper in the general *malaise* that afflicts the American economy. The great increase in the banks' holdings of Government securities has the incidental effect of making them very dependent upon the course of the bond market. Any period of weakness, especi-

ally near the end of the quarter, when balance sheets are in prospect, sends a shiver of apprehension through the banking fraternity.

Where has the great increase in the banks' deposits come from, if not from the expansion of normal demand for credit? Approximately half of it is the direct counterpart of the purchase of Government securities. The deficit, as it were, has been monetised. But this would not have been possible (at least at such low cost to the Government) unless the banks had been supplied with ample reserves. The other half of their increase in deposits has been due, as we have seen, to the receipt of funds which have been deposited with the Federal Reserve Banks and left idle there. Table IV shows where these funds have come from. The total of Reserve Bank credit stands almost exactly where it did in 1933. Money in circulation is \$300 millions higher. On these two items combined, member bank reserve balances would have declined rather than increased. But no less than \$10,358 millions has been added to the gold stock of the country. Some \$4,000 millions of this was due to the devaluation in 1934 and a large part of the increase was sterilised in the Treasury. Sterilisation of some imports has also been attempted. But the inflow of gold has been mainly responsible for an increase of over \$7,000 millions in member bank reserves. The "excess reserves" were reduced by increases of reserve requirements in 1936-37 and increased again by a partial reversal of this policy in 1938. They now stand at much the highest figure ever reached.

The general picture of American banking is, then, that the public has more funds on deposit with the member banks than it cares to use, and that the member banks are in the same position *vis-à-vis* the Reserve Banks. The credit-creation powers of the system are in abeyance. The American banks can be compared to a four-masted schooner carrying an enormous spread of canvas but with not a breath stirring. In the circumstances the man at the helm is powerless: there is no scope for credit control in America to-day. But if ever a wind blew up, the course of the ship, with unshortened sail, might be very exciting.

Control for Unit Trusts

THE Prevention of Fraud (Investments) Bill is not, in the legislative scheme of things, a measure of first-class importance. Its object, after all, is a relatively simple one—to prevent the rogue from victimising the investor, and particularly the small investor. That aim is free from political controversy. Moreover, the scope of the problem and proposals for its solution were authoritatively examined by the Bodkin Committee, whose report was published in July, 1937. Yet the Bill, which is now in its final stages in the House of Lords, is not a simple measure, and it would be futile to pretend that it is a popular measure.

The Bill has suffered, too, from another defect which was quite incidental to its main purpose, for it has attempted to telescope the prevention of share-pushing with the control of unit trusts. After digesting the Anderson Report on unit trusts for eighteen months, the Government announced in December, 1937, that legislation dealing with unit trusts was not immediately contemplated. Seven months later, in July last year, the draft Share-pushing Bill was issued, and it was introduced, with certain alterations, to Parliament last November. Its subsequent stages have been reported from time to time in *The Economist*. They had, however, one remarkable feature. Between the introduction of the Bill, and its passage to the House of Lords last month, the official attitude regarding unit trusts changed completely. In the first draft, unit trust managers and trustees were among the exempted *élite*, provided that the trustee was "approved"—a criterion which merely required it to be a corporation capable of acting as trustee, and having an issued capital of not less than £500,000 of which at least half had been paid up in cash. That, it

appeared, was the limit of regulation on which the Government felt disposed to insist, in a Sharepushing Bill.

Unit trust managers had reason to congratulate themselves on the lightness of this proposed statutory burden, but they lulled themselves into a false sense of security. Even on the first day of the Committee stage of the Bill, early last December, the President of the Board of Trade gave a pledge to amend the clause dealing with unit trusts in order "to incorporate, both in existing and future trust deeds, the sort of conditions which were laid down by the Anderson Committee." This amendment subsequently became clause 16 (3) in the Lords Bill. It provided that, by the fiat of the Board of Trade, trust deeds might be deemed to contain new provisions, and that any existing but inconsistent provisions would automatically be struck out. Thus, in a ten-line clause, powers of the widest delegated authority over unit trusts were sought. The simple—perhaps too simple—basis of exemption had been replaced by a degree of control which was not contemplated even by the Anderson Committee.

The unit trust movement was only just in time to insert its foot in a closing door. Lord Wardington, who as chairman of Lloyds Bank is well qualified to put the views of unit trust trustees, last week exposed the dangers of conceding such wide and unspecified powers to the Board of Trade, when the Bill was before the House of Lords for second reading. And he extracted from the Lord Chancellor an undertaking that the clause must be amended. This week, discussions have been held between the Department and representative trustees and managers, and there is ground for supposing that, as a result, the prescriptive powers of the Board to control unit trusts are to be limited

to five main matters comprising price and yield calculations; issue and execution of certificates; advertising; provision for future management; and replacement of managers in case of need.

On all five points, present-day unit trust practice is well ahead of July, 1936, when the Anderson Report was published, and they are among the principal matters which were raised in that report. There is ground for real satisfaction, first, that while the Board of Trade's power of intervention is not drawn so widely that existing trust deeds could be turned inside out, several matters on which reform is still desirable are included in the list. Thus the criticisms voiced in the Commons that unit trusts would obtain a privileged statutory position without undertaking any significant statutory obligations have been met, without exposing the trusts to administrative prescription on the widest scale. It will be hoped, for example, that no doubts will remain in future that unit trust prices are based on the effective dealing prices in the underlying securities. In the minority of cases where Official List offered prices are used in price calculations, the managers obtain an unconvenanted benefit which has the effect of inflating their profit (and hence the costs of the unit holder) or of enabling them to reduce their management charge to a sub-normal level.

Similarly, there is to-day no widespread suspicion that flexible unit trusts yields are inflated by methods which involve the depletion of the trusts' capital. Yet to remove even the few doubtful instances which have been the subject of comment in informed quarters in the last year or two would constitute a valuable corrective for the movement. Certain groups have, indeed, recognised the need for an independent check on prices and yields, by providing unit purchasers or holders with certified figures. But, to take one point only, the "proper computation of a yield on a flexible trust is a subtle process, particularly where the fund is growing rapidly, or its investments are frequently changed. Hence, properly administered regulations governing prices and yields would encourage the practice, which most responsible groups already follow, of dealing at a price, and holding out expectations of a return, which are unbiased by motives of extraneous profit or salesmanship.

The second matter in which the Board may take power to act is not likely to be contentious in practice. Although it concerns the mode of issue and execution of unit certificates, and thus appears to raise questions regarding the relative merits of appropriation and cash fund trusts, it is unlikely that this technical controversy will be a principal factor in the determination of the Board's powers. But considerable difficulty has, apparently, been experienced on the question of advertising. The Anderson Committee, it will be recalled, drew a distinction between publicity which was merely intended to incite interest, and that which could be held in law to constitute an invitation. The proposed prescriptive powers over advertising seem to hark back to this distinction. There is, first, power to secure the sufficiency and accuracy of statements regarding price or yield in any advertisement, circular or document, issued by or on behalf of the managers; and secondly, there are powers to determine the matters which shall appear in an "invitation." It has been argued that the drawing of such a distinction might be troublesome in practice, and ineffective in law, since the legal doctrine of *ejusdem generis* might confine the unspecified powers relating to "invitations" within the narrower limits specified for other documents. But, in the first place, the law of contract may well require a distinction; and secondly, a form of words has presumably been found that obviates the legal difficulty and confers on the Board wider powers of suspension over "invitations" than over other forms of advertisement.

These are the main questions which are likely to be governed under the new clause, for such questions as reserves for future management and the right of the trustees to replace an unsatisfactory manager are now common form in unit trust deeds. If they had been specifically defined when the now notorious clause 16 (3) was inserted in the Bill, it is doubtful whether any controversy would have occurred. There is no reason why all trusts, existing

and yet to be formed, should not be prepared to comply with official standards in these matters. The power of precept is great, and it has been the greater in the unit trust movement because reform, in many cases, could be turned to good business account. But the statutory recognition of the movement which was originally proposed ignored the fact that certain safeguards could not be provided by the managers themselves in a competitive world, while the trustees, contrary to widespread belief and frequent suggestion, simply act in a custodian capacity.

It is possible to argue, of course, that the trustees have interpreted their responsibilities too narrowly—that the public, rightly or wrongly, has assumed that undesirable practices would not escape the trustees' notice. And in some cases, the latter have exercised their powers of persuasion over matters which, under a strictly legal interpretation of the trust deed, would lie outside their scope. Trustees are not anxious to step beyond the present limits of control incorporated in trust deeds. Yet there are many features of unit trust business—advertising is a particular case in point—where the trustees could exert influence on the achievement of higher standards, without overstepping the strict legal limits of custodianship. And a watchful eye on investment policy, backed at least by veto powers, would also have advantages.

These matters, however, lie in the future. If the new clauses are agreed, the unit trust movement will have secured statutory recognition for a considerable period ahead in return for a relatively tolerable burden of statutory responsibility. The concept of the "approved trustee"—which, although useful, is of limited service in matters of unit trust supervision—will be replaced by the concept of the "approved trust deed." But the power of the Board of Trade to intervene in unit trust practice will at the same time be restricted to proper dimensions. In fact, on the five points outlined above, a sufficient degree of control could be exercised which would remove any vestige of reproach against the movement.

What is your
Capitalised Value
to your family?



IF you listed all your personal assets and converted them into cash what would be the total? Now assuming from a safe investment interest on this amount could be obtained at the rate of 3½% per annum tax free, what income would this produce?

This is the test which you should apply to your own resources, so that you will know exactly what the financial position of your wife and family would be in the event of your death—a contingency which it is unwise to ignore. Most men are disappointed and not a little perturbed after this self examination.

THE "SAFEGUARD" POLICY
is specially designed to augment personal assets by providing an income (tax free and payable monthly) for your dependants in the event of death. If you survive the period of your family responsibilities the policy provides capital for your own retirement.

You are invited to make an enquiry for full details and for an illustration suited to your own circumstances. Rest assured you will incur no obligation by doing so.

**LEGAL & GENERAL
ASSURANCE SOCIETY LIMITED**

Head Office: 10 FLEET STREET, LONDON, E.C.4.

General Manager: VERNON E. BOYS.

Established in 1836

Assets exceed £44,000,000

Branches and Agencies throughout the World.

Finance and Banking

The Bank's New Accountancy.—This week's Bank Return illumines two technical points of the new accountancy introduced by the Currency and Bank Notes Act of 1939. The Issue Department's gold has been valued this week at 148s. 2d. an ounce. The price at Wednesday's fixing was 148s. 2½d., and the slight discrepancy may be taken as a demonstration of the freedom left to the Bank in certifying the price to be used. Last week's valuation was at 148s. 5d., and the depreciation of the gold held by the Issue Department was consequently £381,384. According to the Act, this sum could be made good by the transfer from the Exchange Equalisation Account either of gold or of cash, and this week (again, presumably, as a demonstration of the elasticity of the Act) the less obvious method of settling the difference in cash has been chosen. The Exchange Account, in effect, drew £381,384 of notes out of the Banking Department and presented them to the Issue Department for cancellation. Differences may be settled in future either in gold or in cash or by a combination of both methods.

The Supply of Bills.—After all the discussion raised by the abnormal contraction in the issue of Treasury bills it is reassuring to find that there is evidence of continued recovery in the supply of commercial bills of exchange. This evidence is to be found in the annual report of the Commissioners of Inland Revenue and more precisely in the tables showing receipts from stamp duties on inland-drawn and foreign-drawn bills of exchange and promissory notes. It is possible from these figures to calculate with a close degree of accuracy the outstanding volume of bills in the period to which they apply. The method was explained in an article which appeared in *The Economist* on March 26, 1938. The report of the Commissioners of Inland Revenue published this week brings the necessary data up to and including that for the financial year 1937-38:—

	Stamp Duty Receipts	Bills & Notes outstanding
1934-35:		
Inland-drawn bills and notes	238,895	119,447,500
Foreign-drawn " "	268,421	134,210,500
Total	507,316	253,658,000
1935-36:		
Inland-drawn bills and notes	242,534	121,267,000
Foreign-drawn " "	276,463	138,231,500
Total	518,997	259,498,500
1936-37:		
Inland-drawn bills and notes	265,386	132,693,000
Foreign-drawn " "	286,065	143,032,500
Total	551,451	275,725,500
1937-38:		
Inland-drawn bills and notes	298,478	149,239,000
Foreign-drawn " "	295,560	147,780,000
Total	594,038	297,019,000

It will be seen that the recovery in the average amount of bills outstanding in 1937-38 was particularly marked in the case of inland-drawn paper. This is a token of the moderate success which has continued to meet the efforts of those acceptance and discount houses which have led the campaign to popularise the bill of exchange in the finance of domestic business. As a considerable proportion of the bills drawn in this country finance foreign trade the appreciable recovery in this item may also refer to this type of paper.

The Belga and Guilder.—The absence of any government in Belgium continues to affect the exchange, and on Monday three months' belgas depreciated momentarily to Bel. 0.85 discount. The rate has since returned to Bel. 0.57 discount. Spot belgas remain at the export gold point against the dollar, and the sterling rate fluctuates in sympathy with the direct London-New York rate.

The market is inclined to take a pessimistic view of the financial outlook. There is a big Budget deficit, and M. Pierlot's resignation last week was partly due to opposition to his economic policy, which was regarded as deflationary. Rightly or wrongly, the market is beginning to think that the belga will eventually abandon gold for sterling, and a possible rate of belgas 35 to the pound (compared with the current rate of belgas 27.87) is already being canvassed. A devaluation of this kind would bring the belga into a better relation with the French franc from Belgium's point of view. On the other hand, the belga cannot be devalued without legislation, and with Parliament dissolved, no legislation is possible in the near future. Realisation of this fact has led to some covering of short positions, and on Wednesday one month's belgas were Bel. 0.17 discount. The guilder has been steady this week, with sterling quoted at Fl. 8.83½ and the dollar held at Fl. 1.88½. It has needed very little support this week from the Dutch authorities. The continued outflow to New York of capital owned by refugees remains the immediate cause of the recent depreciation of the guilder, but as in the case of the belga, it is considered in some quarters that a moderate depreciation would not be disadvantageous, and arguments to that effect have lately appeared in the Dutch press.

A Great Underwriter.—Mr Cuthbert Heath, who died on Wednesday last, was one of the great men of the City of London. His whole working life was devoted to insurance, for he became a Lloyd's underwriter while still a very young man and he remained a Lloyd's underwriter till his death. The debt which the Corporation of Lloyd's and the members and subscribers of Lloyd's owe to him is immeasurable, and outside Lloyd's there are thousands of workers throughout the world to whom he was scarcely a name who have to thank him for their success in business and even for their livelihood. He was the first man to see the potentialities of insurance in the modern world, and by his vision and enterprise he opened up one after another new fields of profitable and useful insurance. The first burglary policy ever written was written by him. He was one of the earliest pioneers of workmen's compensation. Fire policies against consequential loss were his invention, and so were policies against hurricanes, hail damage, and the bad debts of traders. There are, in fact, few departments of our modern life which have not been touched at this point or that by his inventive genius. He had in him every element of greatness—intellect, character, vision, courage, and a deep personal humility—and it was possible for him, as it is possible for few successful business men, to say at the end of his life that he never made an enemy or lost a friend.

February Clearing Bank Averages.—Conditions in the money market during recent weeks are well illustrated by the February averages of the ten English clearing banks. Thus, discounts are down on the month by £43.6 millions; and though this is only very slightly higher than the drop from January to February last year, it has brought the total down to the lowest figure since April, 1935. Call money shows a further decline, of £5.1 millions, owing to the same influences. There is nothing unusual in the rise in advances, as February commonly sees a demand for credit to make tax payments; but the fact that there has been a steady rise since last November suggests that industrial demand is probably responsible for some of the expansion. The increase, together with the fall in liquid assets, has compelled the banks to realise some of their investments

which are £8.1 millions below the amended figure for January and nearly £16 millions less than for February, 1938. The seasonal deflationary influences, however, are now probably at an end, for Treasury Bill payments are once more exceeding maturities and the period of heavy tax collection is over. The March figures ought to show some improvement, although the disappointing quota secured by the discount market at last Friday's Treasury

	Feb., 1938	Oct., 1938	Nov., 1938	Dec., 1938	Jan., 1939	Feb., 1939
Capital and reserves—Acceptances, etc.	136.0	136.0	136.0	136.0	136.1	136.1
Deposits (including undivided profits, etc.)	108.9	129.3	128.5	128.0	124.9	126.4
Total liabilities	2,243.4	2,219.7	2,212.2	2,217.5	2,194.3	2,140.8
Cash	2,488.3	2,485.0	2,476.7	2,481.5	2,455.3	2,403.3
Cheques, balances, and items in transit	239.3	230.7	229.3	240.1	245.1	239.5
Money at call	65.4	61.8	62.1	70.7	62.3	61.6
Discounts	139.9	145.4	144.9	155.9	139.5	134.4
Investments	286.4	266.8	271.0	248.9	254.2	210.6
Loans and advances	618.4	631.1	628.0	620.8	610.6	602.5
Investments in affiliated banks	962.6	952.0	944.6	949.1	950.9	960.5
Cover for acceptances, premises, etc.	23.9	23.9	23.9	24.0	24.1*	24.1
Total assets	152.4	173.3	172.9	172.1	168.5	170.1
Total assets	2,488.3	2,485.0	2,476.7	2,481.5	2,455.3	2,403.3

* Amended figure.

Bill tender and the very low level to which its bill holdings had fallen will probably mean that the banks' ratios will not return to normal in the immediate future.

Bank of Canada.—The annual report of the Governor of the Bank of Canada for the year 1938 shows that the monetary affairs of the Dominion have proceeded on an even keel. There was some evidence that a greater need for care was felt, for the Bank's holdings of "other securities" (consisting of obligations of the United Kingdom, any British Dominion, the United States or France), which amounted to \$12.2 millions a year ago, have since been liquidated, the result being an increase from \$14.9 to \$28.4 millions in the Bank's holdings of sterling and American dollars. The report alludes to the slight depreciation of the Canadian dollar against the American dollar, and also to its appreciation against sterling. Compared with 1937, there was a drop of 16 per cent. in exports and one of 15 per cent. in net tourist receipts, but as imports were also reduced by 16 per cent. the net active balance of payments was only reduced from \$218 to \$185 millions. Internally the report alludes to the increase from \$165.3 to \$175.3 millions in the Bank's note circulation, but this was partially offset by a reduction of \$7.7 millions in the note issues of the chartered banks. The Bank's gold stocks rose from \$179.8 to \$185.9 millions. Here the Bank of Canada has anticipated the Bank of England in valuing its gold at the current market price, and \$4.3 millions of this increase was due to the net appreciation of the Bank's gold stocks during the year. Investments in Canadian securities have risen from £173.9 to £185.5 millions, with a big turnover towards short-term securities, but this last movement simply reflects the fact that the Dominion Government 3 per cent. 1940 bonds became a short-term security during the year. Still the increase in investments shows that a liberal monetary policy has been followed, and so it is not surprising that the chartered banks' balances have risen from \$196.0 to \$200.6 millions.

Indian Insurance Act.—India is an important market for British insurance offices, but in recent years their experience has been most unsatisfactory, especially in the life branch. Indian life assurance companies have sprung up in mushroom fashion. Many of them have been in a dubious financial condition from the start, while their expenses, in a great number of cases, have been scandalously

high. All sound insurers—British offices no less than old-established Indian offices—desire reform in the Indian insurance business, and if last year's India Assurance Act has not been accorded an unqualified blessing by them, it is because its provisions have in some respects been unduly drastic. In a paper submitted to the Institute of Actuaries last week, Mr R. W. Sturgeon examined the provisions of the Act, which takes effect from a date to be fixed. Deposits are to be required from offices, non-Indian and Indian, transacting business in the country, though they are not unduly high—450,000 rupees when all classes of business are transacted, and less when the business is more restricted. The provision for the appointment of a Superintendent of Insurance, with wide powers of inspection and discretionary authority to apply to the Court for a winding-up order, has some justification, though it is certainly a departure from the British tradition of "freedom and publicity." The Act fixes maximum levels of agency commission, prohibits the rebating of commission and requires agents to be licensed. Such provisions are welcomed, though the concession to new companies to pay commissions on a higher scale during their first ten years seems doubtful wisdom, since excessive commissions have been the notorious cause of the present unsatisfactory position. In another important respect, however, the Act cannot be deemed other than retrograde. Under provisions which define the assets which insurance offices shall hold in their life funds, Indian and United Kingdom offices will be required to hold Indian Government rupee securities against 25 per cent. of their Indian liability and not less than an additional 30 per cent. in Indian Government rupee or sterling securities, Indian provincial or municipal securities, Indian Port Trusts, or securities issued or guaranteed by the United Kingdom Government. Offices in other countries—and this includes Dominion offices—must hold 33½ per cent. and 66½ per cent. respectively in these two categories. Such stereotyping of investments is of no advantage to policyholders.

Each year for the last twelve years the Standard has declared a

42½%

ANNUAL COMPOUND REVERSIONARY BONUS

In 1938 this yielded for the year to many of the older members over

80%

on the original sum assured

ASK FOR A COPY OF THE ANNUAL REPORT.

THE STANDARD LIFE

ASSURANCE COMPANY

HEAD OFFICE: 3 GEORGE STREET, EDINBURGH
LONDON 46 Queen Victoria Street, E.C.4, 15a Pall Mall, S.W.1

MONEY MARKET NOTES

Foreign Exchanges

STERLING has again been firm during the greater part of the week, partly owing to sales of dollars against shipments of gold from Belgium and partly owing to a general revival of confidence in the pound. The improvement in the Stock Exchange is also tending to induce funds to return to London, and the publication of the better employment figures was the probable cause of the distinctly firm tone on Tuesday. The dollar rate on that day rose to 4.69½, a net improvement of ¼c. on Monday. The rise would have been even more pronounced had not the Control bought dollars on a fairly substantial scale. On Wednesday, however, there was a slight relapse to 4.69, but on Thursday in a very quiet market the rate was steady at 4.69½-r. Francs have not moved with the dollar, but have tended to appreciate against sterling, although the spot rate shows very little change on balance. The discount on forward francs, however, has narrowed to ½ for one month and ¾ for three months. Belgas and guilders are discussed in a Financial Note. On Thursday the market in belgas was much quieter, and the discount on three months contracted to 57-60c.

Applications at the sterling tender at Bombay on Wednesday, amounting to £905,000, were accepted at 1s. 5½d., and the tap rate is expected to be raised to 1s. 6d. The formation of a £10 million fund to maintain the stability of the Chinese dollar is discussed on page 495. The announcement caused a slightly firmer tendency to be noticeable in the Chinese exchange, the Shanghai rate rising to 8½d.-8½d. on Thursday, but it is not expected that it will be allowed to appreciate to any extent.

The Bank Return

THE Issue Department is discussed in a Finance Note. In the Banking Department

	Mar. 9, Feb. 22, 1938	Mar. 1, 1939	Mar. 8, 1939	Mar. 1, 1939
Issue Dept.				
Gold in circulation	326.4	126.4	226.4	226.0
Notes in circulation	479.3	472.7	478.4	479.2
Banking Dept.				
Reserve	48.0	54.7	48.9	47.9
Public Depts.	12.6	16.3	11.6	11.4
Bankers' Depts.	114.3	103.1	110.4	97.4
Other Depts.	36.1	35.1	36.5	35.8
Govt. Secs.	105.2	78.9	99.0	69.2
Discounts & Advances	6.5	17.5	6.3	3.4
Other Secs.	21.5	21.6	22.4	22.4
Proportion	29.4%	35.3%	30.8%	33.1%

ment the chief movement is a fall in bankers' deposits, which are down by

as much as £13 millions. For this the decline in Government securities of nearly £10 millions is mainly responsible, but discounts and advances are also down by nearly £3 millions. Public deposits are virtually unchanged. It is worth noting that bankers' deposits are well below the figure at the corresponding date of last year. Their fall probably explains why one or two institutions have been less keen to acquire bills during the week, although there has not been the slightest indication of any monetary stringency. The fall in deposit liabilities explains the rise in the Proportion, in spite of the fall of £1 million in the Reserve.

The Money Market

LAST Friday's Treasury bill tender proved very disappointing for the discount market. The increase in the amount of bills on offer to £40 millions had encouraged it to hope for a larger allotment, but in actual fact the syndicate only obtained 27 per cent. of requirements, against 30 per cent. a week earlier. Applications rose from £72.6 millions to £83.8 millions, and the average rate of allotment fell from 10s. 1.33d. per cent. to 10s. 0.48d. These two factors indicate very strong outside competition for bills, which probably represented the renewal of bills by one or more central banks of the sterling bloc, although in some

	Mar. 10, 1938	Mar. 2, 1939	Mar. 9, 1939
Bank Rate	2	2	2
London Deposit Rate	½	½	½
Short Loan Rates:			
Cleaning Banks	1½-1*	1½-1*	1½-1*
Others	6½	6½	6½
Discount Rates:			
Treasury bills	½	½	½
Three months' bank bills	17½-9½	12-17½	12-17½

* 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.

quarters it was suggested that it may have been official tendering. In any case, the result has not enabled the market to replenish to any notable extent the banks' bill holdings, which, as shown by the February averages, have fallen to a very low level. Some April and May maturities have been sold, but the supply has been very short of the requirements. Glasgow Corporation has taken advantage of the prevailing conditions to place some bills at very favourable rates. Of the total of £650,000, £250,000 maturing on June 30 were placed at 10s. per cent.,

£200,000 maturing on August 10th at 10s. 7½d. per cent. and £200,000 maturing on September 11th at 10s. 7½d.

Credit conditions have remained very easy in spite of the fall in bankers' deposits shown in this week's Bank return, and advances against bonds have been readily obtainable at ½ per cent.

The Bullion Market

THE increase in hoarding interest in gold noted last week has again been evident, although on a very small scale. It was most marked, perhaps, on Monday, when nervousness over the Belgian political situation was very apparent, and the discount on the three months'

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in	Cash	Two Mths.
1939	s.	d.	d.	£'000	d.
Mar. 3	148	4	1 pm.	370	20½
" 4	148	4	1 pm.	206	20½
" 6	148	3½	½ pm.	577	20½
" 7	148	2½	½ pm.	547	20½
" 8	148	2½	½ pm.	670	20½
" 9	148	3	½ pm.	356	20½

* 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.

belga widened to 85c. The publication on that day of the National Bank of Belgium's return for the week to March 2nd also encouraged the slight tendency to hoarding; for it showed a fall of nearly £11.5 millions (at current rates) in gold and foreign exchange, and consequently encouraged those who think that a devaluation of the belga is a possibility. On Tuesday and Wednesday, however, there was more arbitrage demand. Arbitrageurs on the latter day were encouraged by the appreciation in the dollar and the small premium over the American shipping parity; the turnover rose to £670,000, offerings being mainly on private account, but buyers were not able to obtain their full requirements.

The silver market has been quiet, with very little change in prices. The spot price is still above the New York parity to an extent sufficient to encourage small sales from American operators; but this has been counter-balanced by some buying on Indian account, which has also been felt in the forward market.

INSURANCE NOTES

Prudential Assurance Company.—This company is the colossus among insurance offices and is, indeed, the largest corporation in the country. Hence its progress and prosperity are of national interest. During 1938, total assets increased by nearly £16 millions to £346 millions and total income by £1.6 millions to over £56 millions. More than one million policies are in force in the ordinary branch, while in the industrial branch the total number exceeds 28 millions. Moreover, the com-

pany has four associated approved societies with a membership of nearly four millions. Last year, new assurances in the ordinary branch declined from 99,000 policies assuring £32,500,000 to 94,000 policies for £31,800,000. Annuity consideration moneys amounted to £783,000, compared with £877,000 and the rate of interest was 3s. 11d. lower at £4 4s. 4d. per cent. In the industrial branch, 2,536,000 policies were issued for £69,720,000 against 2,445,000 policies for £66,192,000 in

1937, and premium income showed a satisfactory increase from £22,300,000 to £23,100,000. The net rate of interest earned in the industrial branch fell by 5s. 8d. per cent. to £4 5s. 1d. per cent. and the expense ratio was again smaller at 22.6 per cent. of premiums, against 22.7 per cent. in the previous year and 40.5 per cent. in 1920. If the bonus to the outside staff, which last year cost £739,000, is included as an expense and not an allocation from surplus, the expense ratio would be 25.8 per cent. The

results of the valuation at December 31st are compared with the 1937 results below:—

	1937	1938
Ordinary Branch—		
Surplus earned	3,045,602	3,137,315
Capital profits	30,248	738
Brought forward	596,428	639,297
	3,672,278	3,777,350
Policyholders' bonuses	2,729,683	2,809,489
Shareholders' bonuses	288,198	296,565
Contingency fund	15,100	15,600
Carried forward	639,297	655,696
	3,672,278	3,777,350
Industrial Branch—		
Surplus earned	5,995,584	6,096,862
Brought forward	588,864	642,533
	6,584,448	6,739,395
Policyholders' bonuses	4,044,192	4,131,392
Contingency fund	297,000	303,000
Shareholders' bonuses	894,094	901,352
Contingency fund	706,629	738,542
Carried forward	642,533	665,109
	6,584,448	6,739,395

The bonus rates in the ordinary branch are maintained at 46s. per cent. for whole life and 40s. per cent. for endowment, calculated in each case on the sum assured. The bonus in the industrial branch is also repeated at the very satisfactory rate of 32s. per cent. In the ordinary branch, as in the previous year, the bases of valuation are OM3 per cent. for assurances and a⁽¹⁾ and a^(m)3 per cent. for annuities. In the industrial branch, the English Life Table (No. 10) with interest at 2½ per cent., first adopted in 1937, has again been used this year.

Net premiums, after reassurances, in the branches other than life assurance, amounted last year to £2,692,000, being an increase of £53,000 over the previous year's total. The results of the last two years are summarised below:—

	1937	1938
Fire	90,397	83,739
Motor	982	14,467
Employers' liability	Dr. 62,891	Dr. 21,261
Miscellaneous	7,791	22,849
Sickness and accident	45,727	62,749
Marine	60,269	20,415
Sinking fund	23,201	15,703
Fees	19,324	22,211
Exchange	Dr. 20,318	Dr. 13,763
Securities realised	...	Dr. 10,188
Total	163,238	196,921
Net int. earnings	119,411	120,829
	282,649	317,750
Income tax	30,000	32,000
N.D.C.	15,000	18,000
	237,649	267,750
Cost of dividend	133,333	133,333

A sum of £75,000 against £100,000 has been transferred to the general branch investment reserve fund. Instead of holding departmental additional reserves (apart from reserves for unexpired risks and outstanding claims) the Prudential now maintains a central general branch additional reserve account, to which £33,800 was transferred last year against £47,600; and which now amounts to £1,177,000. The balance sheet shows the following subdivision of the company's assets into six groups:—

	(£ millions)	1937	1938
Assets:—			
Ordinary branch	122.9	127.5	127.5
Industrial branch	191.7	202.3	202.3
General branch	8.1	8.1	8.1
Common contingency fund	2.7	2.8	2.8
Special contingency fund	4.6	5.1	5.1
Share premium account	4	3	3
	330.4	346.1	346.1

The distribution of the combined life

assurance funds is shown below for 1937 and 1938:—

	1937	1938
Amount Per (£ mns.) cent.	Amount Per (£ mns.) cent.	
Mortgages, inc. loans on	43.2	46.9
Policyholders' bonuses	89.7	92.8
Indian, Col. & For. Gov. secs.	16.5	16.1
Brit. Munpl. & Cty. secs.	5.3	6.0
Col., For., Mun. & Prov. secs.	5.4	4.8
Debentures	52.8	55.6
Pref. and Guar. stks.	28.8	30.2
Ordinary stocks	38.1	41.2
Reversionary ints. & properties & other assets	34.8	36.3
	314.6	329.9

An increase of £349,000 to £11,221,000 in loans on property in the United Kingdom is more than offset by a reduction of £556,000 to £5,112,000 on mortgages outside the United Kingdom. Loans on Stock Exchange securities, which fell in 1937 from £16,224,000 to £9,282,000, recovered last year to £13,100,000. Policy loans showed some reduction at £4,866,000. Aggregate market values on December 31, 1938, of Stock Exchange securities in each branch exceeded book values. The "B" shares are entitled to 75 per cent. and the "A" shares to 25 per cent. of the divisible profits of the general branch, but the "B" shares do not participate in the surplus of the life business. The rate of dividend on the "A" shares (£1 each fully paid) shows an increase from 19s. 5½d. tax free to 19s. 8½d. tax free. In each year 6½d. was attributable to general branch profits. The rate of dividend on the "B" shares is 50 per cent. tax free for the third year.

Britannic Assurance Company.—The results of the annual valuation of Britannic Assurance are compared with the figures for 1937 below:—

	1937	1938
Ordinary Branch—		
Surplus earned	412,492	399,962
Brought forward	161,139	178,732
	573,631	578,694
Bonuses to policyholders	285,714	296,255
Shareholders' account	39,185	39,361
Investment reserve fund	40,000	50,000
Staff pension fund	5,000	10,000
Contingency fund	25,000	...
Carried forward	178,732	183,078
	573,631	578,694
Industrial Branch—		
Surplus earned during year	697,745	740,991
Brought forward	158,173	193,418
	855,918	934,409
Bonuses to policyholders	267,500	267,500
Shareholders' account	240,000	240,000
Investment reserve fund	60,000	100,000
Staff pension fund	95,000	115,000
Carried forward	193,418	211,909
	855,918	934,409

The basis of valuation was again A1924-29 in the ordinary branch and E.L. No. 8 (Males) table in the industrial branch; the rate of interest assumed was 2½ per cent. for participating policies in the ordinary branch and 3 per cent. for all other life contracts in the ordinary and the industrial branches. In the ordinary branch the rate of bonus remains at 38s. per cent. on the sum assured. In the industrial branch the same sum as in 1937 has been set aside for policyholders. The sums credited for the four years 1935-38, amounting to £950,000, will be held in reserve and applied later for the benefit of policyholders. The company's bonus scheme shows a balance on hand at December 31, 1938, estimated to provide bonus additions varying from 5 per cent. for policies ten years in force to 20 per cent. for

policies of twenty-five years or more, which become claims before March 31, 1940. New sums assured in the ordinary branch amounted last year to £3,423,000, compared with £3,594,000 in 1937, and in the industrial branch to £9,560,000, against £9,769,000. Reduced new business in 1938 was a general feature of industrial-cum-ordinary offices. The net rate of interest in the ordinary and industrial branches fell by 3s. 10d. per cent. to £4 2s. 10d. per cent. and £4 8s. 6d., respectively. Ordinary branch expenses fell from £181,000 to £179,000, and amounted to the moderate figure of 12.5 per cent. of the premium income against 13.1 per cent.; in the industrial branch the expense ratio fell from 31.4 per cent. to 30.2 per cent. Total assets increased from £30,103,000 to £32,272,000. Loans increased from £4,792,000 to £5,660,000, while British Government securities showed little change from the 1937 total of £6,559,000. Foreign and Colonial Government securities increased from £3,627,000 to £3,820,000, debentures from £2,864,000 to £2,928,000, preference shares from £2,585,000 to £2,695,000 and ordinary shares from £5,059,000 to £5,591,000. The dividend is repeated at 50 per cent. free of tax.

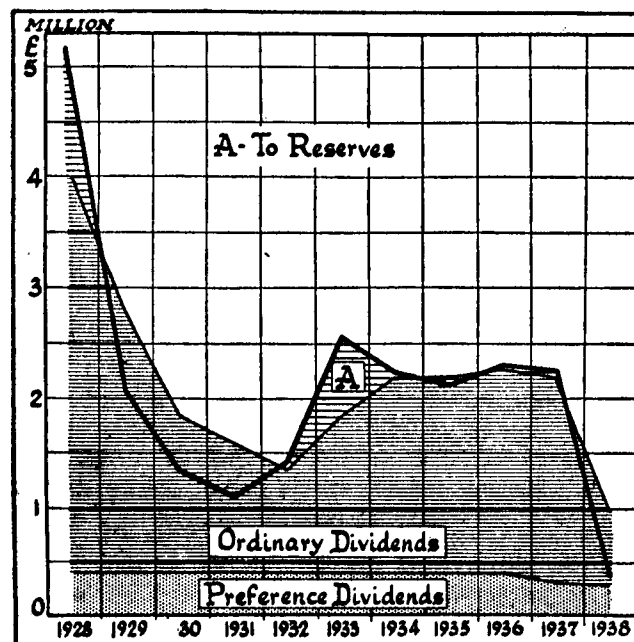
United Kingdom Provident.—The triennial valuation was made as at December 31st last, and the results are compared with those of the previous triennium below. The bases of the valuation are the same as before.

	1933-1935	1936-8
Surplus earned during triennium	1,705,805	1,651,502
Profit on securities	300,000	40,372
Brought forward from previous valuation	277,455	400,377
	2,283,260	2,092,251
Allocations—		
Bonuses to policyholders	1,582,883	1,720,201
Transfer to Investment contingency reserve	300,000	...
Carried forward to next valuation	400,377	372,050
	2,283,260	2,092,251

Bonuses are at the same high rates as for the last three valuations, namely, 45s. per cent. and 41s. per cent. for whole life policies in the temperance and general sections respectively, calculated on the sum assured and existing bonuses. For endowment assurances, the rate is 43s. per cent. in the temperance section where the original term is not less than twenty-five years and 41s. per cent. for all other policies, including those in the general section. On this occasion, however, the cost of bonus is somewhat in excess of the surplus earned in the period. Stock Exchange securities stand in the balance sheet at middle market prices on December 30, 1938; the aggregate values of other assets appear to exceed book values. Total assets amount to £26,516,000. Loans show a further increase over the year from £6,646,000 to £7,088,000. British Government securities rose by £449,000 to £3,397,000, while Colonial and foreign government securities, debentures and ordinary stocks were all higher at £2,231,000, £2,347,000 and £3,605,000, respectively. Preference shares, however, were reduced to £1,903,000. New sums assured set up a new record at £5,116,000 against £5,023,000 in 1937. The net rate of interest fell by 4s. 1d. per cent. to £4 1s. 6d. per cent.

a result, the English trading profits were approximately halved, compared with 1937, while the 30 per cent. reduction in wood pulp prices required a provision against stocks which absorbed most of the reduced profit. Abroad, the American Viscose Corporation's year was "wholly unremunerative" and no dividends were received. The directors detect no hopeful prospects of better trading in the American rayon trade during 1939, but at home, two en-

COURTAULDS' PROFITS—1928-38



couraging features are seen: lower wood pulp costs, and the new price arrangements. The Courtaulds board is habituated to caution, and the payment of a 4 per cent. dividend out of earnings of less than $\frac{1}{2}$ per cent. last year was in itself significant. Hence their present encouraging references to the trade prospect, with proper reservations regarding the international outlook, go far to explain the present low yield of £2 15s. 7d. per cent. on the ordinary stock.

Home and Colonial Group Progress.—Some recovery in the profits of the Home and Colonial group (controlled by Lever Bros. and Unilever) was already apparent in 1937-38, and the preliminary results for the year to January 7, 1939, show a further satisfactory improvement. Net profits of Home and Colonial have risen from £231,794 to £321,174, and ordinary dividends are resumed, after a lapse of three years, with a 3 per cent. payment. Maypole Dairy profits are £48,763 higher at £395,709, and the deferred ordinary dividend is increased from 7 per cent. to 9 per cent. Meadow Dairy earnings, however, are only $1\frac{1}{2}$ per cent. higher at £141,611, and this rise may be accounted for by the fact that the group's latest accounts cover 53 against 52 weeks—a difference which covers only a small part of the improvement shown by the other two companies. The policy of internal re-organisation undertaken by the group during the past few years is yielding its fruits, for unremunerative shops have been closed, and new premises opened in more promising districts. An important cause of difficulty two or three years ago was the lag between costs and selling prices. But in 1937-38 the necessary adjustments were apparently effected more simply. It may be that, contrary to traditional views regarding price trends and provision profits, slightly higher prices in 1938-39 assisted the companies to achieve

more satisfactory trading margins. Sir George Schuster's remarks a year ago suggested that a satisfactory expansion in margarine sales (particularly in the better qualities) had been stimulated to some extent by the rise in butter prices, and consumption was also very satisfactory last year. The group has some way to go before the former levels of prosperity are in sight, but shareholders will be well satisfied with the first stage of recovery effected in the past two years.

London Brick Prospects.—In his survey of the past achievements of London Brick, Sir Malcolm Stewart's speech this week gave every cause for satisfaction. Fixed assets have been written down to the extremely low basic valuation of £1 per thousand bricks of annual productive capacity, which is 1,750 million bricks. Last year, a satisfactory demand, until September at least, enabled the company to establish new production records. For the current year, however, Sir Malcolm's attitude was cautious, and his references to current business position were frank. Deliveries to date are "sensibly down" compared with those of a year ago. At the moment, the board foresees no factors likely to be strong or rapid enough to enable last year's sales to be reached. In 1938, stockholders were warned that interim dividends of 5 per cent. did not as a matter of course imply a year's total of 20 per cent., but this week Sir Malcolm was only able to offer the consoling suggestion that, if the interim payments should be reduced, it would not necessarily imply a reduction in total dividend. If, as we questioned last week, London Brick should not be so successful this year in obtaining a larger share of a smaller volume of business, stockholders will at least have been frankly prepared for the consequences by their chairman.

Scottish Power.—The 1938 report shows an increase in the trading profits of subsidiaries of £61,459, equivalent to 9.2 per cent., which is slightly higher than the 1937 increase of 8.9 per cent. The Grampian Hydro-Electric development is still not completely self-supporting, and credit is taken for £15,262 in respect of interest charged to capital. After providing for additional depreciation of £32,572, and an increase in preference dividends of £14,813, reflecting the issue of £1,000,000 4 per cent. preference stock in May, 1937, the net earnings available for the ordinary capital show a slight reduction as compared with 1937. A further issue of £500,000 4 per cent. preference was made in October last, but the dividend on this stock will only come into the accounts for the current year. The results since 1936 are set out below:—

	1936	1937	1938
Trading profits of undertakings	£ 615,827	£ 670,588	£ 732,047
Interest charged to capital.....	12,391	23,943	15,262
Total	628,218	694,531	747,309
Depreciation and reserves	188,328	201,329	233,901
Income tax	72,824	88,614	101,571
Available gross revenue.....	367,066	404,588	411,837
Parent company's expenses ...	23,532	24,716	30,263
Interest on loans.....	8,721	11,570	9,471
Preference dividends	100,650	111,575	126,388
Ordinary stock:—			
Earned	234,163	256,727	245,715
Paid	231,800	228,000	220,400
Earned %	8.1	9.0	8.9
Paid %	8	8	8
Carried forward	10,468	10,695*	11,209*

* After allocating £28,500 to general reserve in 1937 and £24,800 in 1938.

While it is impossible to make an estimate of standard depreciation, since a large but undisclosed proportion of total capital expenditure is represented by hydraulic works, the actual provision made by the operating subsidiaries for depreciation and reserves, seems hardly more than adequate. The company's enterprise in

providing electrical supplies over sparsely inhabited and economically unattractive areas in Scotland does appear, however, to have yielded a moderate, if not unduly generous return. Over the past decade the company has obtained some £7,150,000 (excluding the issue in October last) of additional capital, in the form of either preference or ordinary shares, on which it has earned and paid an average return of just under $5\frac{1}{2}$ per cent. The further stage in the Grampian hydro-electric undertaking completed last year, brings the company near the end of a ten-year programme. In this project, also, the company has displayed commendable enterprise, although in the absence of any detailed figures, it is impossible to estimate the degree of financial success which has resulted, or the extent to which it has been "carried" by the remaining part of the company's business. At 37s. x.d. the ordinary shares yield £4 6s. 6d. per cent.

North Metropolitan Electric.—A further satisfactory increase in consumers and in units sold was shown last year, the gain being most marked in the company's own distribution undertakings. The latter, which now account for over 45 per cent. of the total units sold, showed an increase in sales of 17.2 per cent. Industrial power sales, representing 16.5 per cent. of the total, were up by 8.1 per cent., and traction sales to London Transport by 3.7 per cent. Units sold to other authorised undertakings, amounting to 27 per cent. of the total, show only a small increase of just over 4 per cent., but this figure may need qualification since the Harrow Electric undertaking was vested in the North Metropolitan Company in October, 1937. The results of the past three years are analysed below:—

	1936	1937	1938
Total consumers	336,722	375,067	407,106
Units sold (millions)	597 $\frac{1}{2}$	691	760
Increase (%)	21	15	10
Net revenue	£ 855,443	£ 914,332	£ 983,141
Interest charges	80,374	80,628	78,592
Depreciation and reserve acct.	337,352	374,082	410,810
Reserve and redemption funds	31,762	47,387	47,387
Preference dividends	84,000	84,000	92,834
Ordinary shares:—			
Earned	321,955	328,235	353,518
Paid	278,151	278,151	319,148
Earned %	12.1	12.4	11.5
Paid %	10	10	10
Contingency fund, etc.	30,000	39,383	32,325
Carried forward	63,666	74,367	76,412

The accounts show only a moderate increase in net profit of just over $3\frac{1}{2}$ per cent., and even this may be affected by the changed status of the Harrow undertaking. Interest and dividend receipts show a large increase of £36,392, which presumably reflect the acquisition of the Hendon Electric Supply Company. If this item is shown after deduction of tax, the increase almost offsets the dividends payable on the £200,000 of 6 per cent. preference stock and £418,000 of ordinary stock of the North Metropolitan Company created for this acquisition. On balance, the percentage earnings on the increased ordinary capital show a slight fall. A rough calculation suggests that the total amounts appropriated to depreciation, reserves and redemption funds, are some £75,000 in excess of depreciation on our standard basis, which would represent additional earnings of approximately $3\frac{1}{2}$ per cent. on the ordinary capital. The report makes no reference to the Southgate undertaking, in respect of which the local authority gave notice some twelve months ago of its intention to purchase at 45s. 9d. x.d. the ordinary stock units yield £4 7s. 3d. per cent.

London Stores Outlook.—It is now possible to complete the picture presented by the London stores' results for 1938. They make a mixed showing, for while

OUTSTANDING STRENGTH

ASSETS 128 MILLION POUNDS

Extracts from the 86th Annual Report to be presented to the Shareholders at the Annual General Meeting at Halifax on Monday, March 27th, 1939.

MORTGAGES

ADVANCED ON NEW MORTGAGES £20,340,996

TOTAL SUM DUE UPON MORTGAGES £105,177,549
Showing an increase of £6,900,650 during the year.

LIQUID ASSETS

Trustee Securities together with Cash at Banks and Cash in Hand amount to £22,368,340

SHARE & DEPOSIT FUNDS

Increased by £5,194,611 during year £122,284,430

TOTAL ASSETS

Increased by £5,616,848 during year £128,242,856

ACCOUNTS

Increased by 22,682 during year. Total now 735,096

PROFITS & RESERVES

The balance of profit for the year after making provision for all management expenses, Income Tax, National Defence Contribution, and Interest due to Depositors up to the date of the accounts and for depreciation amounted to £3,222,614. Appropriations have been made to Investing Shareholders of interest and bonus £2,772,691; Staff Superannuation Fund £50,000 and to General Reserve £400,000.

TOTAL RESERVE FUNDS AND UN-DIVIDED PROFIT £5,466,090

Copy of Balance Sheet free on Application

General Managers
DAVID W. SMITH, F.C.I.S. F. E. WARBRECK HOWELL, LL.D.

HEAD OFFICES - HALIFAX

LONDON DISTRICT OFFICE—HALIFAX HOUSE, STRAND, W.C.2

CITY OFFICE—62 MOORGATE, E.C.2

BIRMINGHAM - 26-28 Colmore Row LEEDS - 32 Commercial Street
BELFAST - 14 Donegall Square West LIVERPOOL - 37 Dale Street
EDINBURGH - 75 George Street MANCHESTER - 130 Deansgate
GLASGOW - 119 St. Vincent Street SHEFFIELD - 51-55 Surrey Street

Over 400 Branches throughout the Kingdom

HALIFAX
BUILDING SOCIETY
THE LARGEST IN THE WORLD



DON'T BE VAGUE—
ASK FOR
Haig

the John Barker and D. H. Evans profits caused satisfaction, and Peter Robinson and A. W. Gamage maintained their position, Harrods experienced a moderate decline, and the setback in Selfridge and Whiteleys was distinctly severe. Treating John Barker's results as a special case, it is clear that the stores have, at best, only been able to maintain their earning position in a difficult year. The fullest analysis of the course of trading month by month was perhaps given by Mr Gordon Selfridge at the Selfridge and Company meeting. The year 1938 began with some decline, which became intensified at the time of the *Anschluss*. Then there followed a period of doubt, culminating in the September crisis which brought a heavy drop in the trading returns. Mild weather in October and November brought a smaller recovery than might have been expected, but in December there was a marked recovery, which surpassed the 1937 figures. In the experience of A. W. Gamage (whose trading profits in 1938-39 were £122,850 against £125,220) December was also a satisfactory month. While Sir Woodman Burbidge's survey of business in 1938 at the Harrods meeting followed similar broad outlines, the chairman spoke with some optimism of the future, and was able to cite practical proof of this confidence. Rebuilding schemes costing in the aggregate some £1,200,000 and financed entirely from the company's own resources, are in progress in Brompton Road, in Manchester and at Dickens and Jones, and political uncertainties have not deterred the company from proceeding with these plans. The Harrods report shows a decline of 6 per cent. to £2,548,912 in total profits, and from £488,802 to £408,191 in earnings for the ordinary stock, but the company's profit record suggests that the satisfaction which Sir Woodman expressed regarding long-term prospects is well justified.

Pennsylvania Railroad.—The results of the Pennsylvania Railroad in 1938 vividly illustrate the difficult conditions under which American railroads were forced to operate last year. Total operating revenues were \$95,549,267 down to \$360,384,241, but the reduction in expenses by \$80,914,050 did not cover the fall in gross revenue, and after provision for taxation, hire of equipment and including income from investments, gross income was reduced by \$17,001,076 to \$93,559,078. This sum covered debt and other prior charges with a surplus of \$11,046,100, and after appropriations to sinking and other funds of \$8,035,319 the resulting surplus for the common stock was reduced to \$3,010,781, against \$19,134,172 in 1937. Earnings were thus equivalent to 46 cents per share and failed to cover the dividend of 50 cents per share paid in December. Some signs of improvement are apparent in

the January traffic figures, which show an improvement in gross receipts from \$28,466,000 to \$32,897,000, while net operating income was up from \$2,242,000 to \$4,999,000. The common stock, at 23½, is close to last year's high of 24½ and discounts some recovery in net income this year.

Consolidated Mines Selection Setback.—The full report of Consolidated Mines Selection confirms the approximate halving of profits revealed by the preliminary statement. Poor dealing opportunities in the stock markets in 1938 are reflected in a drop from £156,057 to £49,825 in share dealing profits—which are less than investment income for the first time since the last depression. From the 16 per cent. reduction in dividends received, which amount to £68,629, it would appear that a higher return on such interests as Gold Coast Selection and Rand Leases has not offset the lower Anglo-American and Mawchi distributions. The balance available for the ordinary stock amounts to £73,065 against £148,873, and thus covers the 15 per cent. dividend with a margin of only 1.4 per cent. Dealing profits, however, are struck after writing down investments, which in the aggregate stand at less than market values. On a 15 per cent. dividend basis, the 10s. units yield £6 3s. per cent. at a current price of 24s. 4½d.

The Week's Company Profits.—Our usual analysis of profit and loss accounts, appearing on page 546, includes 66 companies this week whose net profits of £6,400,000 compare with £8,856,000 earned by the same companies a year ago. This sharp reduction of 28 per cent. is largely due to the inclusion of the Courtaulds' results. Aggregate net profits of 430 companies reporting in 1939 to date amount to £54,382,000, and show a fall of 9 per cent. compared with earnings of £59,653,000 for the previous year. The week's results are discussed in preceding Notes and on page 522 under the heading "Shorter Comments."

Company Meetings of the Week.—At the *Refuge Assurance* meeting, Mr J. Wilcock Holgate pointed out that of the total new ordinary branch sums assured nearly 32 per cent. was for assurances of £500 and over. The company's tables had been revised, and, generally speaking, the effect was to reduce the whole life and to increase the endowment assurance rates of premium. A tendency towards the improved yields for which he had pleaded was discussed by Sir Ernest J. P. Benn at the *United Kingdom Provident Institution* meeting. Mr J. A. Jefferson, in his address to *Britannic Assurance* shareholders, expressed satisfaction with the reduction in the industrial branch expense ratio from 31.38 per cent. to 30.15 per cent. of premium income. The stringency of the company's valuation basis was stressed by Mr George William Blackwood at the *Standard Life* meeting. In the valuation of actuarial liabilities, the interest rate assumed was only 2½ per cent. Members of the *Scottish Widows' Society* were informed by Sir Ian Bolton that the surplus on the valuation exceeded £3,700,000, and he drew attention to the growth of business in three successive quinquenniums. Sir Ronald W. Matthews' survey of the *London and North-Eastern Railway* concluded with references to encouraging features in the trade outlook. Mr George Balfour informed shareholders at the *Midland Counties Electric* meeting that during the year they had connected 16,568 new consumers, bringing the total to about double the number at the end of 1934. At the *Scottish Power* meeting, Mr Balfour reported that the hydro-electric plants had produced an output largely in excess of their calculations. Sir P. Malcolm Stewart's review of *London Brick* prospects is discussed on page 516. The chairman's comments at the *Selfridge and Harrods* meetings are referred to on page 517. At the *Scottish Equitable Life* meeting, the chairman drew attention to the margin between the rate of 2½ per cent. used for valuation purposes and net interest earnings of £3 18s. per cent.

THE PRUDENTIAL ASSURANCE CO. LTD.

Points from the Speech of
SIR EDGAR HORNE, Bart.

Chairman of the Company, at the 90th ANNUAL GENERAL MEETING held at Holborn Bars, London, E.C.1, 9th March, 1939

ASSETS AND INCOME. The assets of the Company are now £346,139,159, of which over 82 per cent. are invested in the United Kingdom. The income during 1938 was £56,222,018.

ORDINARY BRANCH. The net new sums assured were £31,762,732. The reversionary bonuses declared on participating policies in force at 31st December, 1938, are maintained at £2.6.0 per cent. for Whole Life Assurances and £2.0.0 per cent. for Endowment Assurances.

INDUSTRIAL BRANCH. The premiums received were £23,115,486. The reversionary bonus is £1.12.0 per cent. for Great Britain and Northern Ireland. The same rate as for the year 1937.

Since the initiation of the profit sharing scheme in the Industrial Branch, the total amount allotted for bonuses to policyholders is over £55,529,319.

A further reduction in the Industrial Branch expense ratio. For 1938 the ratio was 22.61 per cent. of the premiums received.

GENERAL BRANCH. The premiums received were £2,691,605 of which £994,593 was in respect of Fire business.

APPROVED SOCIETIES. Membership exceeds four millions and the amount expended more than £4,500,000 on the payment of benefits.

**TOTAL INCOME EXCEEDS
£1,000,000 A WEEK**

AFTER ILLNESS—

**WHAT A LOT
A LITTLE
BOVRIL
CAN DO!**

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
MARCH 21 MARCH 23

THE basis of recovery in the London markets this week has been significantly broadened. From the first, it was apparent that the smaller investor was taking a larger hand, and by Thursday the flow of small country orders was responsible for the bulk of a very satisfactory volume of trade. Whether it is significant that the volume of London buying has tended slightly to diminish has yet to be seen. The fact remains that ordinary shares, as measured by the *Financial News* index, have advanced steadily from 85.9 at the end of last week to 88.0 on Thursday and support for fixed interest sections of the market has been very well maintained.

Gilt-edged opened with rather slow business on Monday, but picked up in sympathy with the rest of the "House" as the week advanced, the prospects of a balanced budget assisting the rise in mid-week. Demand was well spread over undated and unredeemable stocks, and although the volume of business towards the end of the week was not so great, prices remained very firm. Home corporation stocks responded to the success of the Barking issue, and on Thursday the Essex scrip rose as high as 3 premium. Profit-taking after the recent rise affected New Zealand issues, but otherwise the Dominion list was firm.

In the *foreign market*, Chinese bonds responded sharply to the news of the £10 millions stabilisation loan, the 4½ per cents. of 1898 closing as much as 3½ higher at 78½ on Wednesday. On the other hand, Japanese bonds remained dull. Brazilian issues opened firm on the reaction to the United States credits, but failed to maintain their improvement. Central European issues, and Czech bonds in particular, reflected the improvement in the international situation.

*

Anticipation of a rising traffic trend brought renewed support for *home rails* and the traffic (particularly the "plus" for Southern) were regarded as encouraging. Southern preferred claimed much attention, and the marginal preference issues also advanced, with rises of a point or more on successive days, which were the more vigorous since the market remained short of stock. Argentine rails were uninteresting until mid-week, when the group enjoyed a belated share in the general recovery.

The *industrial share market* had another satisfactory week; it responded well to good trade news, and a moderate amount of profit-taking in mid-week did not damp its relatively bright mood. Iron and steel shares went ahead, with Neepsend Steel and James Booth prominent in the earlier part of the week, and Swan, Hunter and Hadfields later on the dividends and profits. The improvement in the Cammell Laird results, however, had been over-discounted, and the shares eased slightly on the announcement. Coal shares were firm, and more active than in recent weeks. Among engineering issues, Westinghouse Brake were favoured, and the group as a whole made moderate gains. Electrical equipment shares,

which were among the brightest features in the earlier part of the week, became more irregular later. Substantial gains were recorded in practically all motor shares, until profit-taking brought a more hesitant tone. Aircraft issues were firm at first, but gains were generally small. Textiles were in much better demand than of late, and Bradford Dyers were firm on the price agreement. Rayon issues, however, were relatively subdued. Brewery shares made a more irregular showing than other sections, while tobacco shares reacted slightly after a firm start. In the stores section, quotations followed the general trend. Provision and catering issues also gained, assisted by the satisfactory Home and Colonial results, with which International Tea rose in sympathy. Miscellaneous shares went ahead on Monday, reacted slightly, and then made fresh gains. London Brick weakened after the meeting (discussed on page 516). The shipping group was much firmer than in recent weeks, on hopes of a subsidy and of improved freights.

*

Continuous though moderate gains were general among *oil shares*, though it was only on Wednesday that the volume of orders reached good proportions. Rubber shares again enjoyed advancing prices, broadening public interest and a better turnover, though the pace tended to slacken. Tea shares improved, under the stimulus of the reduced export quota and the general trend of the market.

The *mining market* did not remain indifferent to the improved tendency elsewhere, though its response remained less brisk. Kaffirs made small gains, without much expansion of turnover except on Monday. Local buying helped the developing issues, and the Cape lent an occasional hand. Interest was again shown in West Africans, where Kwahu and Ariston were prominent. Rhodesian copper issues tended to harden, but were checked occasionally by profit-taking. There was renewed support for tin shares.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Mar. 3	5,610	7,400	85.9	120.6
Mar. 6	7,495	7,435	86.8	120.7
Mar. 7	7,510	6,645	87.4	120.9
Mar. 8	7,800	6,725	87.8	121.0
Mar. 9	9,160	5,415	88.0	121.4
High...	...	...	87.8	123.5
Low...	...	...	73.7	119.9
			Jan. 27	Jan. 30

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

ACTUARIES' INVESTMENT INDEX

A considerable rise is again shown by the Actuaries' index of 160 industrial equity prices, which on Tuesday, March 7, stood at 65.3 (this year's "high") compared with 63.5 a week ago and 60.3 a month ago. The average yields are 5.50, 5.70 and 6.25 per cent. respectively. A selection of the separate indices follows.

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1939 High
	Feb. 7, 1939	Feb. 28, 1939	Mar. 7, 1939	
Insurance (10)	110.5	112.6	114.3	114.3
Bldg. mats. (6)	69.5	74.5	76.6	76.6
Cotton (5)	20.6	22.7	24.0	24.0
Elec. mfg. (13)	114.1	123.2	128.3	128.3
Iron and st. (19)	51.6	54.4	56.1	56.1
Motors (7)	34.2	37.6	39.2	39.2
Stores, etc. (18)	52.3	55.0	59.3	59.3

Group	Yield (%)			Price 1939 Low
	Feb. 7, 1939	Feb. 28, 1939	Mar. 7, 1939	
Insurance	3.86	3.82	3.76	109.7
Bldg. mats.	7.91	7.42	7.07	64.9
Cotton	3.78	3.63	3.48	20.6
Elec. mfg.	6.25	5.83	5.45	111.9
Iron and steel...	7.13	6.79	6.55	49.5
Motors	6.18	5.62	5.38	31.9
Stores, etc.	6.48	6.10	5.54	50.6

New York

THE week began in disappointing fashion, showing not so much falling prices (which were only fractionally down) as a subdued undertone. This more sober mood was attributed to several factors: the declaration by Senator Bankhead that there was nothing new in the Administration's policy towards business; the fall in the Federal Reserve Board's industrial production index; a rise in unemployment, and the general lack of real signs of an upswing in business this spring. The next session saw the same uninteresting mood, though prices were a shade higher for choice. A sharp revival came in mid-week, however, when the Dow industrial index rose over two points, and turnover once more topped the million mark. Mr Hopkins' speech was well received, and the market inclined to think better of the "appeasement" policy, while the strength shown by London helped. Steel shares remained somewhat in the background, for the market is disappointed that prices are not being raised. Output for the current week is estimated by *Iron Age* at 55 per cent., the same as the revised figure for last week.

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

WEEKLY AVERAGES

	1939			
	Low Jan. 25	High Jan. 4	Feb. 21, 1939	Mar. 1, 1939
347 Ind'ls. ...	103.2	114.5	105.6	108.9
32 Rails	27.0	32.5	27.9	30.4
40 Utilities ...	80.3	88.3	84.1	86.5
419 Stocks ...	87.4	95.6	89.6	92.5
Av. yield * ...	3.79%	3.31%	3.79%	3.64%
	High	Low	High	Low

* January 11th. † 50 Common Stocks. ‡ March 8th.

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

Mar. 2	Mar. 3	Mar. 4	Mar. 6	Mar. 7	Mar. 8
123.0	124.8	125.3	124.2	124.9	127.5
1939 High: 130.3 January 4th. Low: 112.5 January 26th.					

THE PENNSYLVANIA RAILROAD

SUMMARY
OF ANNUAL REPORT
FOR 1938

THE 92nd Annual Report of the Pennsylvania Railroad Company covering operations for 1938 will be presented to the stockholders at the annual meeting on April 11, 1939. Total operating revenues were less than 1937 by \$95,549,267 or 21.0%. Operating expenses decreased \$80,914,050 or 23.9% (due to falling off in business and decreased outlays for maintenance of roadway, track and equipment). Net income was \$11,046,100, as compared with \$27,278,638 in 1937. Surplus was \$3,010,781 equal to 0.46% (23 cents per share) upon the outstanding Capital Stock (par \$50) as compared with 2.9% (\$1.45 per share) in 1937.

OPERATING RESULTS

	1938	Comparison with 1937 Increase or Decrease
TOTAL OPERATING REVENUES were.....	\$360,384,241	D \$95,549,267
TOTAL OPERATING EXPENSES were.....	257,047,243	D 80,914,050
LEAVING NET REVENUE FROM RAILWAY OPERATIONS of	103,336,998	D 14,635,217
TAXES amounted to.....	37,225,328	D 2,107,422
HIRE OF EQUIPMENT AND JOINT FACILITY RENTS were	8,778,772	I 3,140,234
LEAVING NET RAILWAY OPERATING INCOME of	57,332,898	D 15,668,029
INCOME FROM INVESTMENTS AND OTHER SOURCES was..	36,226,180	D 1,333,047
MAKING GROSS INCOME of.....	93,559,078	D 17,001,076
RENTAL FOR LEASED LINES, INTEREST ON THE COMPANY'S DEBT AND OTHER CHARGES amounted to...	82,512,978	D 768,538
LEAVING NET INCOME of.....	11,046,100	D 16,232,538
APPROPRIATIONS TO SINKING AND OTHER FUNDS, etc....	8,035,319	D 109,147
SURPLUS (Equal to 0.46% on Capital Stock).....	3,010,781	D 16,123,391

A dividend of 1% (\$0.50 per share) was paid December 20, 1938, and charged to Profit and Loss.

The cooperation extended by the security holders, the public and the employees in getting people to travel and ship via The Pennsylvania Railroad is appreciated.

M. W. CLEMENT, President

THE PENNSYLVANIA
RAILROAD

SHIP AND TRAVEL VIA PENNSYLVANIA

Stockholders can obtain copies of the Annual Report from
J. Taney Willcox, Secretary, Broad Street Station Building, Philadelphia, Pa.

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	
Mar. 2	600	7,350	139
" 3	1,020	8,370	162
" 4	580	5,130	102
" 5	840	6,930	150
" 6	570	6,350	126
" 8	1,050	9,250	190

* Two-Hour Session.

New York Prices

	Close Latest	Close Latest
	Mar. 9,	Mar. 9,
	1939	1939

1. Rails and Transport

Atchafalaya.....	37 3/4	39 1/2
Bak. & Ohio.....	6 7/8	7 1/8
B.M.T.....	13 1/8	13 1/8
Chn. Pacific.....	4 1/8	4 1/8
Chn. & Ohio.....	37 3/4	40
G.N. Ry. Pk.....	28	29 5/8
Illinois Cent.....	18	18 1/4
N.Y. Central.....	19 5/8	21
Norfolk Pac.....	12 1/4	13
Pennsylv. R.....	22 3/4	23 3/4
Southern Pac.....	18 1/4	19 1/8
Southern Ry.....	21	21 7/8
Union Pac.....	10 1 1/2	10 3/4
Greyhound.....	19 1/8	21 3/4

2. Utilities and Communications

Am. W. Works.....	13 1/2	13 7/8
C.W. & S.....	17 1/2	17 1/2
Con. Edison.....	33 3/8	34 5/8
Col. Gas & El.....	8 1/8	8 1/8
El. Bond & Sh.....	11 3/4	12 1/8
Nat. Pwr. & Lt.....	8 3/4	9 1/4
N. American.....	25 3/8	26 1/4
Pac. Gas & El.....	33 1/2	33 1/2
Pac. Lighting.....	47 3/4	48 1/8
Pub. Serv. N.J.....	36 1/2	37 1/2
Stan. Gas & E.....	33 1/4	33 1/4
United Corp.....	31 1/4	33 1/8
Un. Gas Imp.....	12 3/4	13
Amer. Tel. & T.....	159 1/2	165 1/4
Inter. Tel. For.....	9 3/8	9 5/8
Westn. Union.....	22 1/8	23 3/4
Radio.....	7 1/8	7 1/8
" B. Pref.....	66 1/4	67 1/2

3. Extractive and Metal

Am. Rol. Mill.....	18 1/2	19 5/8
Beth. Steel.....	73 3/8	75 3/8
Beth. Steel P.....	114 1/2	114 1/2
Republic St.....	21 3/8	22 1/4
U.S. Steel.....	62 7/8	64 7/8
U.S. Steel Pf.....	117 1/2	119
Alaska Indus.....	9 7/8	9 7/8
Am. Metal.....	34 1/2	36 1/2
Am. Smelting.....	45 3/4	49 3/8
Anaconda.....	30 1/4	31 3/8
Boh. Alum.....	26	26
Cerro de Pas.....	42 1/2	44 3/4
Int. Nickel.....	52 3/4	54 1/8
Kennecott.....	37 3/8	40 1/8
Patino Mines.....	11 3/4	11 3/8
Tex. Gif. Sul.....	30	30 3/8
U.S. Smelt.....	58	59
Vanadium.....	26 3/4	27 3/8
Atlantic Refg.....	21 3/4	22 1/4
Phillips Petr.....	39 1/8	40 3/8
Shell Union.....	13 3/8	14
Shell Un. Pf.....	106 1/2	106 1/2
Socoy Vac.....	12 3/8	13 1/4
Stan. Oil Cal.....	27 3/8	28 3/4
Stan. Oil N.J.....	48 1/4	50 1/4
Texas.....	42 1/4	44 1/4

* x d

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
March 11	Nil	Nil	Nil
To the Public.....	175,000	...	175,000
By S.E. Intro.....	102,125	...	103,550
By Permis. to Deal.....	97,761	...	102,096
Sav. Certs., week ended	Dr. 50,000	...	Dr. 50,000

Year to Date	Including Conversions	Excluding Conversions
1939 (New Basis).....	29,730,875	29,654,010
1938 (New Basis).....	49,984,310	36,936,208
1939 (Old Basis).....	19,033,852	18,956,987
1938 (Old Basis).....	37,021,595	25,223,538

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis).....	21,225,093	8,228,917	200,000
1938 (New Basis).....	27,705,842	6,801,337	2,429,229
1939 (Old Basis).....	15,295,129	3,460,792	200,000
1938 (Old Basis).....	18,728,899	4,095,475	2,399,124

Nature of New Borrowing (Excluding Conversions)

	Deb.	Pref.	Ord.
Year to date			
1939 (New Basis).....	15,762,807	1,400,046	12,491,157
1938 (New Basis).....	18,293,304	3,422,411	15,220,293
1939 (Old Basis).....	13,187,635	712,697	5,056,655
1938 (Old Basis).....	13,916,527	2,135,722	9,171,949

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 PLACING

Aeronautical and General Instruments.—This company has issued to Electrical and General Industrial Trusts for cash 120,000 5s. ordinary shares. This raises issued capital to authorised total of £150,000.

ISSUE ABROAD

Argentine Government Internal Loans.—The issue of the 4 per cent. ten-year loan was increased to the full authorised amount of 50,000,000 pesos and was fully covered. The 4 1/2 per cent. 25-year loan was also increased to the full amount (100,000,000 pesos). Subscriptions exceed 50,000,000 pesos; the balance is expected to be covered shortly.

BONUS SHARES

Limmer and Trinidad Lake Asphalt Company.—It is proposed to capitalise £411,334 of reserve, and to distribute 399,334 ordinary shares as bonus to preference and ordinary stockholders, in the proportion of one new share for £1 stock held. It is also proposed to convert existing 7 1/2 per cent. preference into ordinary stock. As compensation, preference stockholders will receive remaining 12,000 shares, in proportion of one £1 share for £10 stock.

SHORTER COMMENTS

Company Results of the Week.—Net profits of MEUX'S BREWERY show a significant reduction from £169,810 to £142,752, and the dividend is 2 per cent. lower at 9 per cent. Electricity companies continue to show a satisfactory growth in profits. Thus CLYDE VALLEY ELECTRICAL POWER report revenue from sales of current of £1,334,905 against £1,175,608. Colliery companies reporting this week make a good showing. BAIRDS AND DALMELLINGTON net earnings are maintained at £304,410, a slight reduction in output being due to lower exports. Trading profits of SETTLE SPEAKMAN AND COMPANY are a little higher, but most of the improvement in profits is due to larger income from dividends. WIGAN COAL CORPORATION resume dividends with a 2 1/2 per cent. payment. Trading profits of BRITISH HOME STORES fell by £15,000 to £156,465, and expenses were higher owing to internal re-organisation, so that the dividend is cut from 3 1/2 to 1 1/2 per cent. The SWAN AND EDGAR dividend of 7 per cent. is maintained, although profits have fallen from £124,570 to £103,101. Nearly all investment trusts continue to record lower net revenue. LONDON BORDER AND SECOND SCOTTISH AMERICAN, however, are maintaining their dividends. JAMES BOOTH AND COMPANY profits are £44,500 higher at £145,411, and extensions to building and plant will require further capital. Considerable tool work for the re-armament programme is reported by BRIGGS MOTOR BODIES, whose net profits are up from £103,505 to £116,231. Some slackening of demand in the later months of 1938 did not prevent BRITISH PORTLAND CEMENT from making total profits of £944,271 against £916,447. BROWN BROTHERS are repeating the 12 1/2 per cent. dividend despite a 9 per cent. fall in net profits.

HOFFMAN MANUFACTURING are increasing the distribution from 15 per cent. to 17 1/2 per cent. tax free, and report earnings of £221,141 against £205,928. **HOOVER, LTD.**, sales reached a new record but cost more to achieve, and net profits are therefore £20,000 lower at £218,515. A decline in **ILLUSTRATED NEWSPAPER** profits from £128,438 to £119,237 appears moderate in relation to the recent experience of publishers. The trading loss for 1938 of **PHILCO RADIO AND TELEVISION** is about the same at £115,590, but special losses require a further provision of £21,780, while £115,961 has been written off assets.

MISCELLANEOUS

Midland Electric Corporation for Power Distribution.—Net profit for 1938, £160,174, against £146,033. Tax £28,419 (£23,284). Interest £19,625 (£19,500). To reserve £40,000 (£25,000). Carry forward raised from £49,048 to £50,202. Ordinary dividend 9 per cent. for year, as before.

Clyde Valley Electrical Power Company.—Net profit for 1938, £574,798 against £518,469. Ordinary dividend remains at 8 per cent., but absorbs £205,512 against £168,000. To contingency fund, £250,000 (same). To superannuation, £25,320. To issue expenses, £14,921. Carry-forward raised from £140,268 to £161,314.

Hadfields, Ltd.—Net profits for 1938 £278,405, an increase of £9,365. Final ordinary dividend 15, making 22 1/2 per cent. for year, as before.

Cammell Laird and Company.—Net earnings for 1938 £353,907. Tax and N.D.C. take £100,000, leaving £253,907, against £223,707 after depreciation. Final ordinary dividend 6, making 10 per cent. for year, against 8 1/2 per cent. General reserve £100,000 (same). Carry forward raised from £35,108 to £60,328.

Lancashire Steel Corporation.—Income for 1938 is £51,995 higher at £856,760. To central depreciation, £175,000 (same); tax and N.D.C., £273,518 (£235,169). Net profits, £407,042, or £13,646 more. Ordinary dividend again 7 per cent. To general reserve, £100,000 (same); stock reserve, £20,000 (nil); superannuation, £25,000 (same). Carry forward, £82,109 (£78,071). Consolidated balance sheet shows surplus current assets of £1,252,978; stock, £656,757 (£654,904); cash, £1,365,178 (£980,724).

Foreign Government Bond Trust.—Distribution for half-year to March 3, 1939, on coupon 10 is 5 20d. per bond-unit, tax free, or £5 19s. 9d. gross per cent. on initial price of £1. The tax free rate is the same as in previous two half-years. The progress report describes developments in the past six months affecting foreign bondholders generally, and sets out the percentage composition of the portfolio.

Trust of Bank Shares.—Progress Report No. 6 announces distribution due March 15th of 3.2643d. per unit net, making for year 6.5953d., or a gross yield of over 4 1/2 per cent. on current price of 17s. 6d.xd. The policy of investing more in home and less in Dominion and Colonial banks, etc., has continued. Percentage invested in Home group has risen from 49.52 to 51.73. The report sets out the distribution of the fund and the rate of dividend received on each.

Central Provinces Manganese Ore.—Trading profit for 1938, £421,596, compared with £599,609. To reserve, £60,000 (£230,000). Carry-forward raised from £102,991 to £103,840.

Wigan Coal Corporation.—Gross profit 1938, £200,196, an increase of £68,205. To depreciation, £51,416 (£107,085). To tax and N.D.C., £66,567 (nil). To staff superannuation, £10,000 (same). To general reserve, £20,000 (nil). Carry-forward reduced from £16,946 to £16,374. A first dividend of 2 1/2 per cent. is paid on "A" and "B" ordinary shares.

Industry and Trade

Sharp Decline in Unemployment.—The employment and unemployment returns for February confirm the evidence of an improvement in business activity, revealed by recent reports from industrial centres. The number of registered unemployed in Great Britain (inclusive of agriculture) fell to 1,897,000 on February 13th, a reduction of 142,000 from the figure for January. During the corresponding period last year the number of registered unemployed showed a decline of only 18,000. Simultaneously, the estimated number of insured persons (aged 16 to 64) employed in Great Britain (exclusive of agriculture) rose by 135,000 to 11,419,000, compared with an increase of 19,000 between January and February, 1938. Although unemployment usually shows a decline, and employment an increase, between January and February, last month's movements cannot be ascribed solely to seasonal influences. Thus, *The Economist's* index of unemployment, adjusted for seasonal variations, fell sharply last month to the lowest level recorded since October, 1938, while our index of employment, which had remained unchanged since July, 1938, rose by a full

Result of Cotton Ballot.—The results of the Government's ballot of the producing sections of the cotton industry on the draft Enabling Bill were published last Tuesday. The proportion of votes cast in favour of the Bill, measured by the number of firms, and by employment and output, is shown below:—

	PROPORTION OF VOTES CAST IN FAVOUR OF BILL		
	Measured by		
	No. of Firms	Employment	Output
	%	%	%
Spinning and doubling.....	66	73	72
Weaving.....	63	68	66
Finishing.....	64	79	77
Packing and making-up ...	52	72	75
Total	65	72	70

The Government had also invited the Chambers of Commerce of Manchester, London and Glasgow, as well as the trade unions chiefly concerned, to express their views. In a ballot of the members of the Manchester Chamber of Commerce, 730 votes were cast for, and 849 against, the Enabling Bill. Of the thirteen firms in the district of the Glasgow Chamber of Commerce interested in the merchandising of textiles, eight are reported to be in favour, and five opposed to, the Bill, while the Cotton Exporters' section of the London Chamber of Commerce is opposed to the Bill as drafted and desires



your new factory

BUILT TO YOUR REQUIREMENTS

with coal, iron and steel on the spot

CAPITAL ASSISTANCE

WEST CUMBERLAND offers you the following exceptional advantages if you select it as a location for your new factory: plentiful labour, skilled and unskilled, male, female and juvenile. Foundries working the purest hæmatite in the Empire, producing pig iron and steel of all grades, and forgings. Manganese deposits in the area. Coal of all grades for engineering. Abundant lime. Water—soft water—in plenty: waterside factory sites. Good ports—good transport facilities. Magnificent country—mild climate—sporting amenities.

ADD TO THESE the unique facilities now offered by the Government. Your factory planned and built for you to your requirements, and rent only (on a non-profit basis) charged. Substantial assistance with capital. Contributions towards Rent, Rates, Income Tax and N.D.C.

Full information from
The West Cumberland
Industrial Development Co. Ltd.
1 Scotch Street, Whitehaven

West Cumberland

point in February. Moreover, although the number of registered unemployed last month was still 86,000 higher than in February, 1938, 87,000 more insured persons were estimated to be at work than a year ago. Geographically, the reduction in unemployment between January and February was widespread, Wales being the only administrative division to register an increase, due largely to the deterioration of the coal trade in that district. So far as individual trades are concerned, the fall in unemployment last month was most marked in building, public works contracting, agriculture and horticulture, and stone quarrying (in which employment in January was adversely affected by bad weather), and in the iron and steel and metal goods, engineering, textile, clothing, footwear and pottery trades. Compared with February, 1938, the unemployment figures for last month show substantial falls in the cotton, woollen and worsted, hosiery, motor vehicles, cycles and aircraft trades. So far as it is possible to judge from the industrial progress reports which have come to hand this month, the improvement in business activity has continued.

a number of modifications. On the other hand, the Bill has the support of the National Union of Dyers, Bleachers and Textile Workers, and of the Joint Branch of Inside Warehouse Workers. On the whole, the results of the voting have confirmed expectations, and the Government's decision is now awaited with interest.

* * *

Another Cotton Price Agreement.—Meanwhile, a further step has been taken towards price control in the cotton industry; this time by firms engaged in the dyeing of fabrics. Approximately one hundred concerns, including the Bradford Dyers' Association, are affected, and this means that agreement is assured. Dyeing charges will be stabilised at about 12½ per cent. above the present rates. The members of the agreement will be subject to stiff penalties for any evasions. The committee responsible for the scheme will issue the new rates to the trade at an early date, and in the words of the chairman of the committee they will "put an end to the wholesale demoralisation in the dyeing section from which we have been suffering for some time."

* * *

The Bunkering Trade.—The persistence with which Poland has fostered its bunkering trade has complicated the negotiations of an international coal export agreement. The supply of coal for the use of ships engaged in foreign trade is excluded from the scope of the Anglo-Polish agreement, and in view of the contraction in the volume of the world cargo coal export trade, and of the severe restrictions that are now imposed on imports by France, Belgium, Holland, Germany and even Italy, Polish exporters have been diverting an increasing proportion of their exports to the bunkering trade. The quantity supplied by them to foreign-going vessels last year was nearly three times as great as that in 1936. In the exercise of their rights under the agreement of December, 1937, the British coalowners have made representations against the methods adopted by Poland in the sale of coal for bunkering purposes, but apparently they have not been very effective. It is now understood that although it remains the main object of the contemplated international agreement to regulate coal exported as cargo, the control of the distribution of bunkers is also likely to be brought within its scope. The outstanding feature of the bunkering statistics for recent years has been the decline in Britain's share of the total volume, and the increase in Polish and Dutch shipments:—

BUNKER COAL SHIPMENTS

	1932-36	1937	1938	1932-36	1937	1938
	(Thousands of metric tons)					
United Kingdom ...	13,335	11,890	10,637	75.3	Per cent.	61.1
Holland	2,129	3,158	3,056	12.0		17.5
Poland	462	1,194	1,846	2.6		10.6
Belgium	290	191	271	1.6		1.6
Germany	186	389	344	1.1		2.0
United States	1,302	1,661	1,256	7.4		7.2
	17,704	18,483	17,430	100.0	100.0	100.0

While the decline in the coal-burning shipping tonnage and the increase in fuel efficiency has been responsible for the long-term downward trend in world bunker shipments, the decline in Britain's share has been due, in no small measure, to the relatively lower average prices of bunker

coals and dock charges at Continental ports. Besides the coal shipped directly for the use of steamers, shown above, the world bunkering trade also includes the coal cargoes exported to foreign coaling depots for the fueling of vessels on the great trade routes of the world. The bunkering trade thus constitutes the chief outlet for the steam coals of this country. Although some of the influences making for the decline in the total volume of the bunkering trade and for the diversion of demand from British to Continental ports are beyond the control of British coalowners, the coal industry, as the report of the Faulkner Committee pointed out, will have "to decide whether, having regard to all considerations, its price policy for bunker coal should be such that its trade is not only maintained but increased."

* * *

Improvement in Shipping Freight Rates.—Between December, 1938, and January, 1939, *The Economist's* index of tramp shipping freight rates remained unchanged, an indication that the downward trend had been arrested, at least temporarily. The figures for February, given below, show a slight, but welcome, improvement:—

The Economist INDEX OF FREIGHT RATES
(1898-1913=100)

	Average, 1913	Feb., 1938	Nov., 1938	Dec., 1938	Jan., 1939	Feb., 1939
European waters	110.0	117.6	108.0	109.1	107.4	105.2
North America	113.1	109.3	111.0	110.3	111.6	110.7
South America	123.4	122.4	116.0	113.2	110.4	117.1
India	106.3	130.3	108.1	106.4	108.6	108.2
Far East and Pacific	117.4	120.4	101.3	97.0	97.8	98.7
Australia	127.9	113.4	112.2	111.3	111.3	110.0
Total	116.3	118.9	109.4	107.9	107.9	108.3
1913 = 100	100.0	102.1	94.1	92.8	92.8	93.1

But as the next table shows, the improvement last month was by no means uniform, for freight rates on a number of routes registered a further decline:—

	Index No.	Inc. or Dec. Points		Index No.	Inc. or Dec. Points
Home trade	98.6	+ 1.5	South America:—		
Bay—outwards	110.0	— 12.4	Outwards	80.2	+ 13.3
Bay—homewards	125.9	— 3.3	Homewards	154.0	+ 0.1
Mediterranean:—			India—outwards	91.2	— 1.4
Outwards	74.0	— 2.0	India—homewards	125.2	+ 0.7
Homewards	124.0	— 1.8	Far East, etc.	98.7	+ 0.9
North America	110.7	— 0.9	Australia	110.0	— 1.3

While business on the shipping freight markets remained quiet early this month, the outlook is now less discouraging, for economic revival in Britain and in the United States, accompanied by an upward movement of commodity prices, is likely to be reflected in higher freight rates later this year.

* * *

Further Rise in Steel Production.—Instead of the usual seasonal decline between January and February the output of pig iron and crude steel last month showed an increase. The output of pig iron rose by 3.1 per cent., compared with a fall of 8.9 per cent. between January and February, 1938, while the production of crude steel showed an increase of no less than 19.6 per cent., against a reduction of 2.2 per cent. a year ago. Compared with the figures for February, 1938, the output of pig iron and crude steel last month still showed decreases of 25.6 per cent. and 8.2 per cent. respectively. The relatively much bigger increase in the output of steel than in the production of pig iron is due to the longer time taken to step up the output of the latter. Owing to the delay in increasing the output of pig iron, the steel furnaces were compelled to use a bigger proportion of scrap; as a result the surplus stocks of scrap were rapidly absorbed, and it is now probable that substantial purchases will soon have again to be made abroad.

To some extent the marked expansion in the output of steel last month is probably still a reflection of the severe curtailment in December, when production must have been well below consumption. But there are reasons to believe that

PRODUCTION OF PIG IRON AND CRUDE STEEL
(In thousands of tons)

	Pig Iron		Steel Ingots and Castings		
	1937	1938	1937	1938	1939
January ...	650.7	761.1	500.5	998.9	1,081.4
February ...	603.7	693.3	516.0	995.9	1,057.6
March ...	680.3	714.6	...	1,109.5	1,115.8
April ...	680.7	661.0	...	1,080.4	938.6
May ...	696.3	633.9	...	1,047.3	957.0
June ...	699.3	541.5	...	1,106.4	776.1
July ...	729.3	507.8	...	1,059.2	683.2
August ...	714.0	443.0	...	987.7	658.9
September ...	726.6	429.8	...	1,163.0	754.7
October ...	769.6	469.4	...	1,133.6	854.8
November ...	762.3	461.5	...	1,178.3	860.0
December ...	783.8	445.8	...	1,103.8	655.7

consumption has, in fact, tended to expand, partly, no doubt, as a result of the cut in prices on January 1st, for the bulk of the orders placed in recent weeks is reported to have been for early delivery. Moreover, the improvement in consumption appears to have been fairly widespread and cannot be ascribed solely to increased defence expenditure.

INDUSTRIAL REPORTS

THIS week's postbag from industrial centres indicates that activity is still tending to expand in important industries. The coal trade in Wales remains depressed, but in most other districts output is running only slightly below the level of a year ago. Turnover in iron and steel is increasing, but there is as yet little evidence of speculative forward purchases. While the spurt of new orders for tinplates has not been maintained, output has shown a marked increase and is now as high as a year ago. The volume of business in cotton goods has shown a further increase, sales of American yarns this week being equivalent to more than three weeks' output at the current rate.

Coal

Sheffield.—There is a steady demand for most classes of industrial fuel, and delays in the delivery of household coal, due to the epidemic of influenza in colliery districts, are now being overcome. Electricity and gas undertakings continue to take good deliveries. No great inroads have so far been made into stocks of blastfurnace coke, but consumption is increasing.

There is no appreciable improvement in the export market, but some inquiries are about which it is hoped will result in early business.

*

Newcastle-on-Tyne.—The coal market remains fairly steady, but the difficulty in finding outlets for smalls hampers the output of large coal. Demand for Durham gas and coking coal is good, the feature this week being additional inquiry from Germany for the better qualities of coking coal. Prime grades of bunkers are firm but ordinary grades are freely offered. Business in patent oven coke is quiet in the export section, but there is a slightly better tendency in the home market.

Glasgow.—The market position is somewhat irregular, but on the whole the outlook is not unsatisfactory. In the inland branch demand has seasonably quietened, but industrial requirements tend to expand, and the railways and public utility undertakings provide good outlets. Best grades of house coal are still none too plentiful. Coastwise shipments have been on an increasing scale, but competition has reduced the share of Scottish fuel on the London market. Pearl nuts, however, the grade most affected, are still fully absorbed. While export bookings for the summer months are good, orders for March are still inadequate, in spite of some price concessions.

*

Cardiff.—The position on the Cardiff coal market shows no sign of improvement. The French National Railways are reported to have renewed contracts for the supply of 220,000 tons over the next four months, but there has been little business with other countries. Deliveries of industrial coal for inland consumption have increased slightly with the expansion of activity in the iron and steel industry, but the export market is exceptionally quiet. The diminished output of best large steams is steadily absorbed, and the dry sized grades continue scarce and firm, but stocks of all other classes are heavy. Coke has not yet responded to the improved condition of the pig iron market, and there has been a further contraction in the market for patent fuel. Prices generally are well above the minimum schedule figures, but they show no change on the week.

It is understood that no agreement was reached in Paris last week between the representatives of the British and Polish coalowners concerning the quota bases for the contemplated international coal export agreement, but that the talks are to be resumed before the end of the month, when representatives of Germany will also attend. Ship-

The Food Council on Meat Prices.—The fall in sheep prices in the first half of 1938 brought many complaints from sheep farmers, particularly as the retail price of English mutton was very little affected by the collapse in the fat sheep markets. The Food Council, in a report to the Board of Trade on meat prices, points out that in times of rising meat prices, such as occurred in 1937, the butchers' margin is diminished, since retail prices do not rise as quickly as fat stock prices; conversely, in times of falling prices the butchers must be allowed to obtain some compensation by delaying the adjustment in selling prices, particularly as the glut of home-grown sheep and lambs has seriously reduced the value of butchers' offals. Further, the regulation of the imports of meat, combined with the strong demand for the cheaper (and more uniform) imported beef and mutton, has diminished the butchers' margins on this class of meat, with the consequence that the profits of the trade have been derived mainly from the margins on home-grown meat. In this connection it is obvious that the regulation (which can be taken to mean the temporary reduction) of imports of mutton and lamb will tend to worsen the competitive position of the British product rather than to improve it. The only remedy for the periodic gluts in home-produced meat, as the Food Council points out, is regulation of the supply of fat stock to the local markets.

Iron and Steel

Sheffield.—Business in the iron and steel market, mainly for early delivery, continues to expand.

There is an active demand for basic steel billets, and acid billets also show improvement. Business in wire rods is good, and there are better inquiries for structural steel. Consumers of forge and foundry iron appear still to be fairly well supplied, and new purchases are confined to small parcels. There is a distinct improvement in hematites, but finished iron business is disappointing.

The market in iron and steel scrap has sprung into activity, and heavy buying is taking place, probably as a result of the fear of a shortage. Heavy basic steel is in sharp demand at the control price, and good business is being placed for heavy cast iron for the foundries at up to 75s. per ton. In view of the pressure for supplies it is reported that there may be a resumption of scrap imports.

*

Middlesbrough.—The tone of the iron and steel market has improved as a result of Government orders. Extra plant was started up this week, and, as commercial orders for steel are now being placed more freely, the prospect is better.

The demand for semi-manufactured steel is overtaking the supply, with the result that a parcel of 1,000 tons of steel billets has been imported during the past week from the Continent.

Steel scrap is distinctly scarce and if the present demand continues it is almost certain that imports of this material will recommence. The trade in foundry pig iron has not yet responded and the demand here is quiet. East Coast hematite pig iron, however, is in

REDUCE PRODUCTION COSTS
—USE ELECTRICAL POWER FOR ALL INDUSTRIAL PURPOSES
NORTH-EASTERN ELECTRIC SUPPLY Co. Ltd.
Carlisle House, NEWCASTLE-UPON-TYNE
Apply to above address for particulars of Sites for Works

rather better request. Blast-furnace coke is freely obtainable at 24s. 2d. per ton f.o.t. at the ovens, whilst imports of iron ore under old contracts are fairly well maintained.

★

Glasgow. — Heavy steelmaking plants in the West of Scotland are now working at 75-80 per cent. of capacity and there seems every prospect of a fairly long spell of steady employment. While bar re-rollers are not so comfortably placed, the recent slight improvement is maintained and a fair amount of business is being done. Sheet re-rollers and sheet galvanisers are exceedingly busy and most plants are working near capacity. Work on the A.R.P. shelters is proceeding smoothly. Demands from motor car manufacturers and other consumers is providing much work for the sheet makers.

★

Cardiff. — The recent spurt in the volume of new business in the tinplate trade has not been maintained, and orders during the last fortnight have averaged only about 250,000 boxes per week. But the industry is more active than it has been for many months, and in the week ended February 25th output was approximately the same as in the corresponding period last year. The export trade is disappointing, and the whole position with regard to quotas and prices is to be reviewed at a meeting of the International Cartel to be held in London towards the end of this month.

The other re-rolling branches of the industry, particularly those engaged in the manufacture of heavy black and corrugated sheets, are busy in the execution of A.R.P. and other re-armament work, and the current production of crude steel has increased to such an extent as to lead to a shortage in the current supply of scrap.

★

News from Abroad. — Although some markets have recently shown a slightly better tone, the general position on the international steel markets has remained unsatisfactory. Consumers are covering only their urgent requirements and are not greatly impressed by the prospects of a substantial increase of the steel producers' activity due to defence orders.

Inquiries mainly for prompt delivery are coming forward on a better scale. In Scandinavia, a seasonal revival seems now to be on its way, Holland is in the market for fairly large quantities, and South America has bought medium tonnages. A consignment of 9,000 tons of merchant bars to Chile from Nationalist Spain has aroused much interest, but it is unlikely that Spain will in future be able to export substantial quantities, her own requirements for reconstruction work being considerable. The demand from British India and the Near East is disappointing and Japanese purchases are hampered by the scarcity of foreign exchange. Great Britain is negotiating for the purchase of large quantities of semis on the Continent, but is still greatly behind her quota under the Cartel agreement. The position in thin sheets and wire rods has perceptibly improved. With regard to wire rods a price agreement has been reached for South America between the Cartel and the American exporters.

Textiles

Cotton (Manchester). — The volume of business this week was bigger than for some time. In certain districts machinery has been restarted and order lists generally are longer than a month ago. Stocks at the mills are distinctly smaller than at the beginning of the year. There has been a further upward movement in raw cotton prices, values now being on a higher level than for fifteen months back. During the last three weeks deliveries of raw cotton to spinners in Lancashire have been 159,284 bales against 131,279 bales in the previous three weeks.

Sales of American yarns have been larger than production and most producers have advanced prices. The turnover of some spinners has been equal to three to four weeks' output. Egyptian spinners have had another good week.

Cloth inquiry has continued much more active and sales have been encouraging. Inquiry for India has improved, but buying has not been on a free scale. Fancies have moved off fairly well for Java and Singapore. Increased activity for Egypt is expected when the new quota terms are available. Steady buying has taken place in a variety of cloths for South America, with a little more activity for the Dominions. Further Government contracts have been placed and substantial buying has been reported in home trade fabrics.

★

Jute (Dundee). — Dundee spinners and manufacturers are very thankful that they have sandbags to make, not only for the Government but also for private firms, as, were it not for these, the trade would be in a very unfortunate position. Buyers of all other goods are holding off in the hope that prices will come back a little. There has been a general advance in prices as the result of the sandbag orders, not only those placed in Dundee but also the 200 million bags purchased from Calcutta. Dundee is now delivering four million bags per week to the Government and additional quantities to private firms, which keeps employment in the works on a satisfactory level. The number of wholly unemployed in the jute trade on February 13th was 4,559, with 182 working three days or less per week, a total of 4,741 receiving benefit, which is the lowest number since 1929.

It is interesting to note that prices for raw jute are higher than they have been at any time since 1930. Prices have recently shown signs of weakness, falling from £26 per ton to £24 17s. 6d. for the full group of Daisce-2/3, while Tossa-2/3 has dropped from £26 15s. per ton to £25 7s. 6d., March/April.

Imports of raw jute into Calcutta during February were fairly heavy at one million bales, making the total for the first eight months of the season 7,825,000 bales, compared with 7,800,000 bales last season. During the last four months of last season, the quantity imported was just over two million bales, and if the same quantity comes forward this season, the fears of a shortage will be proved to have been unfounded. The world's requirements this season are estimated at 10 million bales.

THE COMMODITY MARKETS

In spite of the improvement in business confidence, reflected on the London and New York Stock Exchanges, price movements on the commodity markets were erratic during the week ended last Wednesday. Moody's index of the prices of staple commodities in the United States, for example, fell slightly, from 145.4 (December 31, 1931 = 100) on March 1st to 144.5 on March 8th.

The prices of the principal non-ferrous metals and of linseed oil were all marked up a little, while raw cotton was also slightly dearer as a result of the improvement in consumption here and in America. Rubber prices, on the other hand, are scarcely changed on the week, and wheat showed a decline. Jute also fell in price on the growing evidence that the size of the Indian crop had been underestimated, but raw wool prices showed little change.

Metals

Copper. — The price of standard copper gained another £1 and closed on Wednesday at £43 6s. 3d. per ton, the highest price for two months. Sellers show substantial reserve and if the strength of the stock markets and the better trade activity in the United States continue, the price of copper has a considerable chance of recovering to £45 per ton. As a result of the better London prices, both the United States scrap price and the New York export price have also improved.

★

Tin. — Demand improved this week and the London price of tin gained 15s. to close on Wednesday at £215 10s. per ton. Although many consumers are still inclined to await the outcome of the I.T.C. meeting on March 22nd, before entering into new commitments, the better trade reports from the United States have had a favourable effect on the market. The activity of the United States tinplate mills has now reached 53 per cent. of capacity, against 45 per cent. a month ago and 40 per cent. at the beginning of this year.

★

Lead and Spelter. — The price of lead gained 7s. 6d. to close on Wednesday at £14 12s. 6d. per ton, while spelter rose by 5s. to £13 16s. 3d. per ton. Demand in these two markets is supported somewhat by the early start of the building season, although the consumption of the building trade is disappointing. The rally this week was due rather to the better general sentiment than to an improvement in the intrinsic position of the two markets.

★

Tungsten. — After having been stable at 54s. per unit for some weeks, the price for Chinese wolfram has risen to 56s. 6d. in the last few days. Exports from China declined from 16,518 metric tons in 1937 to 12,358 tons in 1938. Even at the latter level, however, they were still above normal. The Chinese National Government has granted the monopoly for tungsten

(Continued on page 537.)

COMPANY MEETINGS

REFUGE ASSURANCE COMPANY, LIMITED

RECORD ALLOCATION OF PROFITS TO INDUSTRIAL BRANCH POLICYHOLDERS

LOWER EXPENSE RATIOS

ADDITIONS TO INVESTMENTS RESERVE FUNDS

INCOME EXCEEDS £13,400,000 — ASSETS £71,165,000

The seventy-fifth annual ordinary general meeting of the Refuge Assurance Company, Limited, was held, on the 6th instant, at the chief office of the company, Oxford Street, Manchester, Mr J. Wilcock Holgate (chairman of the company) presiding.

The Secretary (Mr J. W. Moss) having read the notice convening the meeting and the auditors' report,

The Chairman, in moving the adoption of the report and accounts, said:—

Gentlemen,—You may remember that when I addressed you twelve months ago I remarked how fortunate it was that the industrial recovery of the country, then happily recorded, had been gradual and well-balanced, and I stated that although there was then noticeable a tendency towards a slowing down in the upward trend of trade and industry, the general prosperity of the country was well maintained. I remarked also, however, that the industrial position was largely conditioned by political needs and considerations, and in the months which followed our last annual meeting experience generally underlined the truth of this observation.

Taking as our criterion our new business returns, the progress of the company in 1938 was normal until the intensification of the political uncertainty in March last. The resultant falling away was much more than recovered by the end of May, when our figures were considerably in advance of those for the corresponding period in the preceding year; but subsequently the events which led up to the situation in September last exerted a depressing effect on our new business, as indeed on life assurance business generally, and, in the circumstances, I think we may congratulate ourselves upon being able to record such success in overcoming what was perhaps a natural reluctance on the part of the public to undertake financial commitments, the results of which would not emerge until some date in the then apparently uncertain future. In such circumstances the accounts as a whole afford evidence, I venture to suggest, not only of the value placed upon the protection it is our province to provide, but also upon the high opinion in which this company is held by the assuring public.

On previous occasions, I have ventured to express some views as regards the future. I am not prepared to do so to-day. In the field of politics and international relationships, fundamental factors in the development of industry, this does not appear to be a time when the past can be regarded as affording a reliable index of the future: and I would only add my profound conviction that the crying need in trade and industry to-day, not only in this country but throughout the world, is the disappearance of the prevailing atmosphere of uncertainty and recurrent crises.

Granted the return of conditions as we have known them in the past, or even the continuance of the present world status, life assurance has immense potentialities, and will continue to expand. It is upon the bases of technical ability, industry, integrity and individual effort that life assurance has been built up; and it is upon such principles that its true development depends.

COMBINED RESULTS

Turning now to the details of our results, our total premium income for the year amounted to £10,686,081, showing as compared with the previous year an increase of £204,508. The net interest income was £2,677,756, showing an increase of £20,434 over the corresponding figure for the preceding year. The amount paid in claims by death or maturity during the year was £7,212,153, including £4,281,404 by way of maturities alone, the total figure representing the payment of over £24,000 each working day: and the total sum paid under this head since the inception of the company is now £116,915,051. The aggregate surplus shown by the valuation of the two branches of the company was £2,670,314, and the total assets now stand at £71,165,182, having increased by £2,455,572 during the year.

In both branches the rate of mortality experienced was more

favourable than that anticipated under the mortality tables employed in the valuation.

ACCIDENTAL DEATHS

In the industrial branch our experience as regards deaths arising through accident, or other violent cause, was more favourable last year than in 1937, yet the total paid under this head amounted to over £51,000. The number of policies dealt with in this connection was 3,755, averaging over twelve a working day, and the average weekly payment in respect of these cases was nearly £1,000.

Transacting, as this company does, so large a business amongst the working men and women of this country, it is a normal feature of our accounts to include payments in respect of claims arising as a result of any industrial disasters which may occur. In this connection I might mention that when the Markham Colliery disaster occurred last May, claims amounting to nearly £500 were paid by this company. On this, as on similar occasions, immediate steps were taken by our officials to ensure the coming into the homes with the minimum of delay of the money which is so sorely needed at such times.

ORDINARY BRANCH

In the ordinary branch the number of new policies issued by way of periodical premiums was 49,722, at annual premiums amounting to £434,654, the sums assured thereunder amounting to £7,710,575. In addition there were issued during the year 1,022 single premium contracts, the premiums applicable thereto amounting to £164,002.

It is again interesting to observe that of the total of £7,894,877 new ordinary branch sums assured issued last year, nearly 32 per cent., or over £2,500,000, represents individual assurances of £500 and over.

The ordinary branch premium income for the year was £4,691,372, showing an increase of £63,536 over that of the previous year. The net interest amounted to £1,497,627, showing a net yield of £3 19s. 5d. on the assurance fund. The expense ratio was appreciably lower than that of the previous year, being 14.03 per cent. as against 14.46 per cent. in respect of 1937, and the life assurance fund now amounts to £38,688,365, showing an increase of £464,324 during the year, in addition to which there is an investments reserve fund of £2,000,000.

ORDINARY BRANCH VALUATION

The annual valuation was again made on a 3 per cent. basis, and the resulting surplus, including £710,010 brought forward, was £1,775,774, showing an increase of £19,797 over that of the preceding year. It is proposed to declare a reversionary bonus at the rate of £1 16s. per cent. on with-profit policies, absorbing £955,352, to allocate £106,150 to the shareholders and to carry forward unappropriated the sum of £464,272, after transferring £250,000 to the investments reserve fund.

NEW ORDINARY BRANCH PROSPECTUS

In the early part of the year the whole of the company's tables of rates in the ordinary branch were revised in order to give effect to modern experience as regards rates of mortality, interest and expense.

Speaking very generally, the effect was to reduce our whole life rates of premium, and to increase those applicable to endowment assurances. At the same time we introduced several new types of policy, under which we have already written a gratifying amount of new business. One of these schemes, in addition to securing life assurance cover, enables provision to be made for a definite pension at a stated age and should appeal especially to persons whose pensions depend on their individual efforts, or who wish to supplement the allowances they will receive from other sources. Another scheme enables the parent to assure his own life, with the option

of transferring the contract to his child at the age of 21 or 25 for a greatly increased sum assured, at a low rate of premium. We hope by means of these two schemes to meet two desires commonly to be met with in life to-day—the one, to secure a pension of a definite amount in old age, and the other to give a practical lesson to children in the art of thrift.

INDUSTRIAL BRANCH

In the industrial branch our premium income amounted to £5,994,708, showing an increase of £140,972 over that of the previous year. The net interest income was £1,180,129, representing a net yield of £4 9s. 5d. on the life assurance fund, which increased during the year by £1,649,240, in addition to which there is an investments reserve fund amounting to £2,000,000. The expense ratio was again reduced, being 32.83 per cent., as against 33.59 per cent. in respect of 1937.

The average duration of the premium-paying contracts on our books shows a further increase, and is now twelve years and three months.

A significant feature of our operations in this branch is the amount paid to policyholders on account of survival of endowment terms. The total maturity benefit so paid was larger than ever before in the history of the company, and amounted to over £764,000. It is, of course, natural to expect a continued growth in payments of this character, having regard to the increasing proportion of industrial assurances under the endowment or endowment assurance plan which has been a feature of our new business figures for a number of years. The following figures show clearly the development of this tendency:—

Percentage to total new business premiums of premiums in respect of policies under the following types of assurance.

Year.	Type of Assurance.	
	Policies for the whole of life only.	Policies containing endowment benefits.
1914	93.3	6.7
1920	75.9	24.1
1928	66.3	33.7
1933	62.1	37.9
1938	53.9	46.1

The point has been made before that in the industrial branch the history of the ordinary branch is being repeated. Until the beginning of this century, ordinary branch business was principally conducted under the whole life plan, and it is only within comparatively recent years that endowment assurances have come to form so enormous a proportion of the whole. It is interesting to observe how to-day in the industrial branch endowment assurances are becoming increasingly popular, whilst ordinary branch experience is again reflected in the development of systems of allocation of surplus to industrial branch policyholders. As between the two branches of life assurance one main difference will always persist, i.e. collection of premiums at the homes of the people; but this is fundamental to industrial assurance, and is, as I have remarked before, as much a part of the benefit of the policy as the payment of the sum assured.

I would venture to go further and suggest that the two branches are not, as is commonly supposed, mutually exclusive, but rather complementary. Not only is it the case that many people begin by taking out industrial branch policies, and progress therefrom, as their circumstances improve, to the ordinary branch: but also the industrial branch, in its statutory extension of the principle of insurable interest to cover funeral expenses of certain relatives, fills a need in other besides working class homes which cannot be met in the ordinary branch. It may well happen also that the financial arrangements of a home are such as find a place for policies payable by weekly and monthly premiums equally with others payable by yearly premiums.

INDUSTRIAL BRANCH VALUATION

As indicated in the report, the valuation basis has again been strengthened and is more stringent than any previously employed by the company in this branch. The rate of interest assumed is 2½ per cent. for all contracts.

The resulting surplus is £894,539, which includes £121,441 brought forward from the preceding year. After the transfer of £250,000 to the investments reserve fund it is proposed to set aside £454,350 for allocation among the policyholders in this branch and from the remainder to allocate to the shareholders the sum of £51,350, the amount carried forward being £138,839.

ALLOCATION OF PROFITS TO POLICYHOLDERS IN THE INDUSTRIAL BRANCH

You will have observed that for a number of years my remarks on occasions such as the present have contained an observation to the effect that the basis of valuation in the industrial branch had been materially strengthened; and I observe to-day—with great pleasure, let me add—that the allocation of profits to policyholders I am now able to announce is a record. These observations are directly connected with one another. During recent years the growing approximation of industrial branch practice to that prevailing in the ordinary branch has been recognised, and our resources have been largely employed in building up a profit-earning position. The results before you to-day afford some indication of the success which is attending our efforts.

INVESTMENTS

From an investment point of view the period covered by the accounts has presented many difficulties consequent on the international political situation and its inevitable economic repercussions generally throughout the world. The difficulties are too well recognised for it to be necessary for me to enlarge on them, and I need only say that your directors continue to give unceasing attention to the investment policy in relation to the general situation.

Turning to the balance sheets the assets, now amounting to £71,165,182, have, as already indicated, increased during the year by £2,455,572.

Of the amounts standing against the various classifications, the principal change, has been an addition of £856,420 to British Government securities and securities guaranteed by the British Government, now amounting to £25,951,568, or 36.46 per cent. of the company's total assets, whilst £761,983 has been added to loans on parochial and other public rates and £616,527 to railway and other debentures and debenture stocks. Unimportant reductions have occurred under various classifications, including mortgages on property within the United Kingdom and Indian and Colonial Government securities.

The general geographical distribution of our investments is approximately as follows:—

	1937	1938
	per cent.	per cent.
Great Britain... ..	82.84	83.69
Indian and Colonial	12.49	11.93
Foreign	4.67	4.38

I need hardly say that the company has not been immune from the consequences of the depreciation in market values which has occurred in almost every class of investment during the past year. However, I am pleased to be able to state that, in the aggregate, the market value of our Stock Exchange securities at the end of the year considerably exceeded the amount at which they appear in the balance sheets, leaving intact the investments reserve funds which, as a precautionary measure in view of the generally obscure outlook, have been increased during the year by £500,000 and now amount to £4,000,000.

The net interest received during the year amounted to £2,677,756 compared with £2,657,322 in the preceding year, showing an increase of £20,434 and producing a net yield on the combined assurance funds of £4 3s. 7d. against £4 6s. 4d. in 1937.

NATIONAL HEALTH INSURANCE

Turning now to another branch of the company's activities I have to report that on behalf of the National Health Insurance of a membership of 708,000. During the year payments of benefit were made amounting to £654,043, including £78,596 in respect of maternity benefits. In addition, the further considerable sum of £64,225 was received by "Refuge" members by way of non-cash benefits. The number of new members of the Society obtained during the year by "Refuge" representatives was 76,111.

During 1937 58,508 cases of claims for compensation were handled by the Society on behalf of its insured members. This is a figure which is growing from year to year at a remarkably high rate; and affords evidence of the value of the service rendered by the Society in assisting its members to pursue their title to compensation or damages—assistance which is rendered free of all cost to the members.

STAFF SUPERANNUATION FUND

For many years, as you are aware, it has been the practice of the company to pay pensions to members of the staff who retire from the service after attaining the appropriate pension age. Last year a further step was taken, and a staff superannuation fund, under trustees, was set up, the pension funds formerly appearing in the balance sheets, amounting to £210,000, being transferred to the

trustees. Contributions were also made to the trustees of the sums shown in the ordinary and industrial branch revenue accounts for 1938, viz.:—£12,949 14s. 8d. and £56,438 11s. 3d. respectively; and all pensions granted in 1939 and thereafter will become a charge upon the staff superannuation fund.

NATIONAL SERVICE

Mention of the staff reminds me that this company has agreed to provide facilities whereby our agents should be invited to enrol as enumerators for the 1941 census, with a proviso that should a national emergency arise each enrolled man's services would be available for the purpose of compiling a National Register; and I may add that the company is willing to encourage its staff to take any practicable part in the various schemes of National Service now available. As regards chief office a comprehensive system of Air Raid Precautions has been devised, whereby definite places of shelter have been allotted to the separate departmental staffs, and a complete organisation has been built up for the provision of first aid, and for dealing with fires, etc. The system has been tested by individual departments, and by the office as a whole, and has been found to work most successfully.

TRIBUTE TO STAFF

In conclusion, I wish to express my appreciation of the efficient service which continues to be rendered by the company's staff, both indoor and outdoor. The year with which I am now dealing resembled its immediate predecessors in producing its problems and difficulties, but the staff, as is their custom, has faced them with a good courage, with the result that further progress has been made. I am also glad to say that the relations of the company with the Field Staff Association and the Chief Office Staff Council continue on a cordial footing.

CONCLUSION

Gentlemen, I have now much pleasure in moving the adoption of the annual report and accounts.

The report and accounts were adopted.

Messrs William Eber Thornton and James Proctor Green were reappointed directors.

Messrs Walton Watts and Company were reappointed auditors.

The meeting closed with a vote of thanks to the chairman.

METROPOLITAN ELECTRIC SUPPLY COMPANY, LIMITED

YEAR OF STEADY PROGRESS

The fifty-second ordinary general meeting of this company was held, on the 7th instant, in London.

Mr George Balfour, M.P., the chairman, who presided, said he was sure the accounts presented would be accepted by the shareholders as satisfactory.

The London and Home Counties Joint Electricity Authority had sought powers to take over the rights of purchase of certain areas within the company's supply area. As a result, however, of a lengthy public inquiry, at which the application was opposed by local authorities and companies, the Commissioners had decided not to proceed.

Their company had spared no effort in the areas for which it was responsible to make the supply available for all classes of consumers at the lowest economical rates, and he thought that was appreciated by the weekly wage-earning classes. The total reduction to consumers over the last five or six years had amounted to about £750,000.

One of their great anxieties which might in the near future seriously affect charges to the consumer was the increasing burden of local rates. He had seen it stated that 43 per cent. of the rates upon which the loan of the Barking Council was secured was paid to a large extent by two ratepayers, the Gas Light and Coke Company and the County of London Electric Supply Company, who, presumably, had not the slightest control of expenditure.

As to the progress made during the year, they had connected 14,670 new consumers, making a total of 201,535, and in the poorer districts, 1,340 of the new consumers had been assisted to procure their wiring on terms of deferred payments. The total units sold had amounted to 483,000,000, of which 352,000,000 had been sold direct to consumers, and the remainder in bulk to other authorised undertakers. Excluding the latter, more than one-third of the units were sold for industrial purposes at an average of .99d. per unit, and the remainder sold for general domestic purposes at an average of 1.85d.

From the balance now available of £401,452, the directors recommended a further dividend of 7 per cent. on the ordinary stock with a bonus of 2 per cent., making 12 per cent. for the year.

The report and accounts were unanimously adopted.

LONDON AND NORTH EASTERN RAILWAY COMPANY, LIMITED

COMPANY'S MOST DIFFICULT YEAR

The 16th ordinary general meeting of the London and North Eastern Railway Company was held, on the 3rd instant, in London.

Sir Ronald W. Matthews (chairman of the company), after referring to the loss the company had sustained in the resignation from the board of Mr William Whitelaw and also of their chief general manager, Sir Ralph Wedgwood, said that it was a matter of deep regret to him that on his first appearance in the chair he should have to report the results of the worst and most difficult year in the history of the company with the exception of 1926, the year of the General Strike. Total receipts from passenger train traffic were £17,357,000, a decrease of £268,000, or 1½ per cent. below 1937, but better than the 1936 figure by £387,000, or 2½ per cent. Freight traffics had been disappointing. The fall in receipts had been heaviest in respect of minerals and heavy merchandise, a decrease of £822,000, representing no less than 16½ per cent. of the previous year's revenue. The quantity of freight traffic carried amounted to 121 million tons, a decrease of 15 million tons, or 11 per cent.

THE "SQUARE DEAL" CAMPAIGN

The statement of the company's accounts and the facts and figures he had given would have brought home the urgent necessity for immediate action to end the conditions under which British railways were now struggling. The margin of financial and economic stability was all but exhausted, and another year like the last would seriously threaten their whole commercial existence. The consequences of a continuation of the decline in receipts which had gone on since the early part of last year and which reflected the cumulative effects of conditions which had existed for years, could not fully be foreseen, but it was evident that they would be disastrous not only to the stockholder and the trader, but to the general public as well.

The railways were not merely an indispensable factor in the organisation of the nation's commerce and industry. They were also consumers of British products on a very large scale. Curtailment of railway services or a drastic reduction of rolling stock would mean a blow to national efficiency at a moment when that efficiency must be maintained by every possible effort. It would also mean a serious blow to British industry and in particular to the heavy industries upon which the progress of the country so largely depended. What then, was to be done? The railway companies had outlined the remedy: it must be applied without delay. The Square Deal was simply the recognition of 20th century conditions. There were only too many branches of their national life which were stunted by the dead hand of legislation. It was that dead hand which the railways wished to throw off, so that they could overcome 20th century difficulties by 20th century methods.

The railways had been entirely frank about their difficulties. They had made it clear that on their part they had no wish whatsoever to be forced into a position where their continued efficient existence would depend on subsidies. Nor did they desire to achieve their salvation either by being given preferential treatment or at the expense of any section of the trading community.

AN ATTEMPT AT EQUALITY

The Square Deal was an honest and fair attempt to achieve equality for all and it offered safeguards to the trading community which went beyond those at present existing. The longer the present position in British railways continued, the more precarious did their services become and the more danger was there of a serious collapse in the whole railway transport system of the country; while the sooner the railways' claims were granted, the better hope was there of a recovery in the fortunes of the stockholders, of improvement in the nation's transport facilities and of an increase in the efficiency and competitive power of British industry.

With regard to future prospects, leaving out of consideration any benefits they might secure as a result of their appeal for a square deal, they were faced still with the uncertainties of a highly charged political atmosphere in Europe and the clearing of the international sky must be a condition precedent to a general improvement in world trade. But assuming, and he thought they could assume it, that there was to-day a more clearly defined inclination towards peace, he thought they could find some grounds for encouragement.

The report and accounts were unanimously adopted.

At a subsequent extraordinary general meeting a resolution was unanimously adopted approving a Bill introduced into Parliament to establish a superannuation fund.

LONDON BRICK COMPANY, LIMITED

PRODUCTION RECORDS BEATEN

LARGER TRADING PROFIT

BOARD'S POLICY OF NATIONAL DISTRIBUTION

OUTLOOK FOR CURRENT YEAR

SIR P. MALCOLM STEWART'S REVIEW

The annual general meeting of London Brick Company, Limited, was held, on the 7th instant, at the Connaught Rooms, Queen Street, London, W.C.

Sir P. Malcolm Stewart, Bt., O.B.E., LL.D., D.L., J.P., the chairman of the company, presided.

Mr A. Guthrie Stewart, one of the secretaries, having read the notice convening the meeting, and Mr F. H. Parrott, F.C.A., representing the auditors (Messrs Derbyshire and Company) having read the report of his firm,

The Chairman said:—Ladies and gentlemen,—I presume it is your wish to take the report and accounts as read. (Agreed.)

If you will refer to the debit side of the balance sheet, you will notice that sundry creditors and accrued charges at £269,134 show an increase of £34,718 on last year's figure, due mainly to extra provision for N.D.C.

The reserve for taxation and contingencies at £325,000 and the general reserve at £400,000 remain at the same figures as shown in the balance sheet for the previous year.

FIXED ASSETS

On turning to the credit side of the balance sheet, you will observe that the fixed assets now stand at £2,100,000. I wish particularly to draw your attention to this figure of £2,100,000; it shows a reduction of £60,000 on that of the previous year and brings us back to the very low revaluation of 1936 for the aggregate of our fixed assets. Freehold land was then valued at £200,000; o-day stands at £214,277, with additions in respect of purchases since made, which bring the total freehold land held up to 10,000 acres, of which over 8,400 are clay reserves. Our 500 cottages, village hall, swimming baths, club premises, sports pavilion, and canteens were also lowly valued in 1936 at £150,000. These, with additions since made, stand to-day at £157,255. Works buildings, kilns, plant, etc., which were valued at £1,750,000 in 1936, are now reduced by £21,532 to £1,728,468.

You will doubtless recollect that when we wrote down our works, etc., assets to £1,750,000, this represented a basic valuation of only £1 per thousand of annual productive capacity of 1,750 million bricks. I should explain that all our calculations affecting bricks are made per thousand, and these somewhat astronomical figures are more easily grasped if it once becomes clear to you that one million thousand bricks represent the same quantity as one thousand millions.

ADVANTAGES OF CONSERVATIVE FINANCE

There may in all probability be some stockholders who do not fully realise the advantages that are now being reaped, and will further be realised in the future, in consequence of the heavy writing down of our works and other assets effected in 1936. I will explain. Were we to make no additions and write off £150,000 depreciation, we should be writing off 150 millions of productive capacity, since every £1 thus provided writes off the plant required to produce 1,000 bricks. Why was this drastic writing down desirable? Because I never lose sight of the fact that at any given time the book value of our fixed assets should, if possible, be related to their earning capacity. If a proportion of our plant remained idle owing to a falling off in the demand, it would, while closed, have no earning capacity, since it could not be used for any other purpose than that of making bricks.

It will be readily appreciated that the effectiveness of present and future depreciation is much enhanced because of the exceptionally low figures to which our fixed assets have already been written down. Thus from past prosperity have we provided for possible future adversity, a policy designed to give increased stability and security which can but prove advantageous to all interested in our undertaking in whatever capacity.

I have dealt with this question at some length because I am anxious you should clearly understand the reasons for a policy con-

sistently pursued and which we hope to continue. To abandon it would be to ignore experience.

Turning once again to the balance sheet, you will notice stocks in trade are less by £20,079 owing to the reduction in general stores and fuel.

Sundry debtors are down by £33,655 because of the falling off of trade in December.

Liquid investments at £462,695 and cash and British Government securities at £463,212, together totalling £925,907, show an increase of £150,052 on the previous year. The liquid investments and the British Government securities are valued at market prices as at December 31st last.

PROFIT AND LOSS ACCOUNT

Turning to the profit and loss account, you will see that the profit from trading amounts to £566,575, an increase over that of the previous year of £3,098.

Interest and income from investments at £20,337 are lower by £5,503. The total revenue of the company at £587,130 is down by £2,524. The sum of £150,000 has again been set aside for depreciation and utilised in writing down the works assets. After providing for the dividend on the 8 per cent. preference stock, the profits earned enable the directors to recommend a final dividend on the ordinary stock of 5 per cent., less tax, making 20 per cent. for the year. The sum of £2,000 remains to be added to the carry-forward, which will then stand at £82,000.

PRODUCTION AND COSTS

Dealing with the production side of the business, you will be interested to learn that we manufactured a considerably greater quantity of bricks than in any previous year. Our record production of 1938 was achieved despite the fact that we had to close some works and slow down late in the year in order to prevent an undue stacking of bricks. We not only generally benefited from the improvements and extensions previously effected, but in particular reaped the advantage of the reorganisation of the Coronation Works, near Bedford. While the layout of these works was good in some respects, there was much that needed doing to bring them up to our standard of efficiency. The plant originally installed for excavating the clay was scrapped and vital alterations were made to the kilns, resulting in marked economies being effected.

When following the crisis in September it became apparent that there was a definite falling off in the good demand so far enjoyed, we felt it desirable to curtail our programme of works extension. This decision has been justified, but I am glad to say we are now proceeding with the replacement of certain obsolete kilns to secure further economy. Meanwhile we are holding our hand with regard to adding to our productive capacity which has been so rapidly expanded during recent years.

You will not be surprised to learn that our costs of production increased during the year, the higher prices of fuel and all materials for maintenance being mainly responsible for this. Indeed, during the past few years there has been a marked upward tendency in manufacturing costs apart from the charge for additional social services. To combat this we are making a determined effort to economise through procuring increased efficiency, and have already effected a certain degree of reorganisation.

ACHIEVEMENT OF NATIONAL DISTRIBUTION

With regard to the sales side of the business it must be realised that the past year was influenced by two major factors operating in opposed directions on our turnover. We reaped the advantage of the fine weather experienced in the spring of last year, but were hit by the critical events of September. The year was entered with the full knowledge that we must further pursue our established policy of national distribution which has benefited not only the company but the building industry by making available in any part of the country materials of a standard quality at a fair price. This we have suc-

ceeded in doing on an economic basis, and last year there was no county in England and Wales in which Phorpres bricks were not sold. Our consistent policy of selling at what is for us a fair economic price has helped to stimulate building and brought its own reward.

AN ESTABLISHED PRODUCT

This expansion of our trade has naturally met with some opposition, particularly from those with strong local ties and influence, but once our product is established it is appreciated, not only by the architect and the builder for its technical qualities, but also by the bricklayer, who benefits from the ease of handling due to its uniformity and light weight.

We have no wish to depress prices already sufficiently low, but some manufacturers who complain of our activities are apt to overlook local undercutting against which we have to compete if we are to get a fair share of the trade.

Owing to the scattered production, the vast variety in the nature of bricks manufactured, the multiplicity of producers of clay products, and the wide difference in the efficiency of the producing units, it would probably prove impossible to procure stabilisation of prices on a national basis. Meanwhile, it is not to be expected that we should sit down, adopt a passive policy, close works, and throw our employees on to the dole.

FAVOURABLE WEATHER CONDITIONS FOR BUILDING OPERATIONS

As stated, the outstanding factor favourably affecting the sales position in the past year was the abnormally fine weather early experienced. This had the effect of diminishing the lost time frequently to be faced in building operations and of hastening the date of completion of work undertaken. The good weather also proved advantageous to the contractor and building operatives. It provided a welcome offset to some of their often considerable losses incurred through wet weather. Most of us enjoyed the marvellous spring of the past year unless engaged in gardening or farming, which suffered from the drought. However, it became difficult to determine what proportion of the good demand was normal and how much was due to acceleration of building operations. Thus favoured, our deliveries broke all records for the early months of the year, and they held out well until the crisis of September last, following which a shrinkage of demand was quickly experienced and has since continued.

When the crisis passed overwhelming gratitude surged forth to the Prime Minister for deliverance from war, then so imminent. Many of our citizens who had been satisfied that in the preaching of the doctrine of peace could security for their homes be found, woke up with a rude shock to the hard fact that the preaching of peace not backed by the practice of re-armament by the State brought peril instead of security.

Once peace was brought within reach and the emotions were relaxed, many of those previously indifferent turned their thoughts with anxiety to the progress of re-armament and to the problem of meeting the cost. The delicate circumstances doubtless called for a degree of studied silence. Such general statements as were made but whetted the appetite of those anxious for greater assurance. This was not common curiosity, but a natural desire to banish uncertainty and to be able better to plan for the future.

EFFECT OF UNCERTAINTY

It was this feeling of uncertainty, however inevitable, that brought in its train some sense of lack of confidence, not in the Government but in the future. It considerably spread through all classes of society; the worker wondered whether his standard of living would be reduced, the small house-owner contemplating a modest extension said, "I will go on with my present arrangements." The fairly prosperous man who had long had an eye on that desirable house with a larger garden said, "I must stay where I am," and those still better endowed with this world's possessions felt they must retrench and, doubtless, deserving charities suffered.

It has lately become increasingly clear that the Government appreciate the situation. The recent statement by the Chancellor of the Exchequer all but broke with tradition, so as to permit a peep behind the scenes at the financial drama rightly rehearsed in an atmosphere of rigid reticence. The thrill quickly gave to the public and to the Press a sense of quasi-assurance and increased confidence in the future tending to diminish fear which induces industrial inactivity.

PROSPECTS FOR CURRENT YEAR

You are probably asking yourselves, what do I think of our prospects for the current year? I am going to tell you quite frankly that whereas last year we increased our production and deliveries, a repetition of this is not yet assured. You must not think I fear we are in for a bad year, because this is not the case. However, after

discounting the relatively poor results that have been achieved so far, that is treating them as due to abnormal causes, it is difficult to-day to foresee such favourable conditions operating with adequate power and speed as would create a demand sufficient to absorb the quantity of bricks marketed last year. It may come, but it is not yet in sight.

Last year I thought it essential to warn stockholders that they must not necessarily regard the payment of a total dividend of 20 per cent. as assured if we saw our way to declare interim dividends of 5 per cent. The unusually good profits earned in the early part of that year secured the payment of 5 per cent. interim dividends for the first two periods. We were hopefully uncertain of the further outlook.

Fortunately we have been able to make good and to recommend to you a final dividend of 5 per cent., making 20 per cent. for the year. However, I must tell you clearly that so far the trading conditions experienced in the current period are very different from those operating in the corresponding period of last year. I will be precise; our deliveries to date are sensibly down compared with last year, when we regularly achieved records. We have made a poor start, but I am glad to inform you trade has recently been steadily picking up, and I am confident not only of further improvement but that we shall make a fair showing. Nevertheless, it is doubtful whether the demand will prove equal to that enjoyed last year.

COMPANY'S STRONG POSITION

Consequently, I am going to reverse the advice tendered to you. This year I say, if the early dividends should be reduced do not necessarily take it for granted that the final dividend will be at the same reduced rate. It may be higher, it may be lower, but it will be at that rate which we can prudently recommend after giving consideration to the trading results for the full year. Above all, remember that your company is in a sound position, strong to meet any setback. Nevertheless, we shall not depart from the cautious financial policy consistently pursued over so many years, the conservation of which is vital to the best interests of the stockholders.

Finally, I would remind you that there is no permanency of prosperity in any industry. We have undoubtedly enjoyed a long run of favourable conditions, which, through enterprise and hard work, we have endeavoured to make the most of, and if we were this year to encounter some setback we should take it with equanimity and with, I trust, a sense of gratitude for the abundant prosperity of past years.

Before closing, may I express our regret at the absence of our works managing director, Mr G. H. C. Ratcliffe, whose health has not been too good for some little time. He has, at my suggestion, taken a trip to South Africa, and I am sure you will join with us in wishing him a speedy recovery.

I would again express the thanks of the board, and I am sure of the stockholders, to the staff and the whole of our employees for their support and co-operation so willingly given during the past year, which have so largely contributed to our success.

The chairman concluded by moving the adoption of the report and accounts.

Mr A. T. Worboys (deputy chairman) seconded the motion, and it was carried unanimously.

The retiring directors, Mr Thomas Fortescue Crawshaw Frost and Mr Ronald Compton Stewart, were re-elected; the auditors, Messrs Derbyshire and Company, were re-appointed; and the meeting closed with a cordial vote of thanks to the chairman, directors and staff.

KANSALLIS - OSAKE - PANKKI

(NATIONAL JOINT STOCK BANK)

ESTABLISHED 1889

PAID-UP CAPITAL AND	FMK
RESERVES - - -	545,000,000
DEPOSITS AND CREDIT	
BALANCES December, 1938	4,436,000,000

Head Office : HELSINKI (Helsingfors) FINLAND

Our large network of branches, comprising 208 BRANCHES, ensures prompt and efficient execution of your collections and payment orders

Telegraphic Address : KANSALLISPANKKI

BRITANNIC ASSURANCE COMPANY, LIMITED

BRITANNIC PROGRESS IN 1938

£563,755 ALLOCATED FOR BONUSES TO POLICYHOLDERS

FURTHER REDUCTION IN EXPENSES

CLAIMS PAID NOW OVER £50,000,000

The seventy-third annual ordinary general meeting of the shareholders of the Britannic Assurance Company, Limited, was held, on the 3rd instant, at the chief offices, Broad Street Corner, Birmingham, Mr J. A. Jefferson, F.I.A., Chairman and General Manager, presiding.

Mr Jefferson, in moving the adoption of the report, said:—

The directors are pleased to report that the year 1938, despite the uncertainty of the international situation, was one of all-round solid progress for the company. The funds increased during the year by the record sum of £2,158,000 to a total of £31,790,000. The total premium income, excluding that of the general branch, amounted to £5,462,000—an increase of £149,000 over that for the previous year.

The total income from all sources was £6,889,000, which represented an increase of £210,000 for the year. The claims paid amounted to £2,461,000, bringing the total to date up to the impressive figure of £50 million pounds.

GENERAL INFLUENCES

There is nothing more disturbing to trade than lack of confidence, and although the past year was dominated by uncertainties, this country showed a remarkable resistance to the downward trend of world trade.

I am not unmindful that the re-armament programme has helped to replace some of the falling off in trade in other directions, but as the risk of war diminishes and re-armament work slows down, the factors which bring this about should at the same time bring about a revival of confidence and therefore a revival of trade, particularly of international trade, which is of such importance to this country. If we are to secure our full share of this world revival we must do everything possible now to maintain our export trade, and that the importance of this is fully realised is evidenced by the recent statements of policy made by the Government.

The Anglo-American trade agreement which was negotiated last year has laid a solid foundation upon which to build for the future.

In the dark days of the September crisis this country was united in a manner rarely witnessed before in its approval of the courageous and unprecedented action of our Prime Minister by which, almost at the twelfth hour, the horrors of war were averted and a way opened up for negotiations by personal contact between the leaders of nations. Such unprecedented action cannot I am sure fail to bear further fruit in days to come.

ORDINARY BRANCH

The funds increased by £688,000 to £11,873,000. The premium income of £1,426,573 showed an increase of £39,000. The sums assured under new policies issued totalled £3,422,000 and the annual premium income thereunder was £152,000.

The yield on the funds after deducting income tax was £4 2s. 6d. per cent.

The expense ratio at 12.55 per cent. showed a further reduction of .53 per cent.—a fall largely accounted for by the reduction in new business.

The annual valuation of liabilities was made by the actuary, Mr K. J. Britt, on the same stringent bases as last year, and showed satisfactory results, the surplus disclosed in the Britannic fund being £566,821. Out of this total the directors have allocated £50,000 to the ordinary branch investment reserve fund, increasing it to £590,000. They have again declared a reversionary bonus of 38s. per £100 sum assured under immediate profit policies, this being the same rate as that declared in each of the previous six years.

INDUSTRIAL BRANCH

The funds increased by the record amount of £1,223,000 to £16,538,000. The premium income now exceeds £4 millions a year, the increase in 1938 being £110,000.

The net rate of interest earned on the funds was £4 7s. 3d. per cent.

The amount paid in death claims during the year, including £58,216 paid in respect of bonuses, was £1,203,000. This was lower than the amount paid during 1937 by £70,000. The rates of mortality experienced were the lowest in the history of the company.

Under the heading maturing endowment policies £484,500 was paid, inclusive of £39,655 paid in bonuses.

As a result of more efficient organisation and without any lowering of our high standard of service to policyholders there has been a further substantial reduction in the expense ratio, from 31.38 per cent. to 30.15 per cent. of the premium income.

The annual valuation of both Britannic and British Legal industrial policies has been made on the same bases as a year ago. The total surplus was £934,409, which is again a record and which is an increase of £78,491 over the figure of a year ago. The amounts allocated to profit and loss account and to policyholders remain unchanged at £240,000 and £267,500, respectively. £250,000 of the sum allocated this year will be added to the sums set aside in respect of the three previous valuations, making a total of £950,000 still in hand, and this sum is to be held in reserve for the benefit of Britannic policyholders and applied in such manner as may be determined later by the directors.

Increased allocations have been made both to the investment reserve fund and to the staff pension fund. The former allocation has been increased from £60,000 to £100,000, and that to staff pension fund from £95,000 to £115,000. I will deal with these items more fully later.

After the various allocations have been made there remains a balance of surplus in the Britannic and British Legal funds of £211,909 to be carried forward to 1939.

GENERAL BRANCH

Our general branch has passed the £200,000 mark in premium income. Although we do not transact any business outside the United Kingdom, the actual premiums at £208,730 show an increase of £17,576 over 1937. Not only has the volume of business increased, but the sound quality to which I have referred in the past has been maintained.

BALANCE SHEET

On the liabilities side there is only one feature to which I need now refer, and that relates to the investment reserve funds, which at £1,750,000 show an increase of £150,000 in the year. These funds now represent 7.5 per cent. of the book value of our Stock Exchange investments, which is slightly higher than the percentage a year ago.

Despite the heavy fall in the market values of Stock Exchange securities which has been so marked a feature of the past two years, I am glad to be able again to inform you that the value of our assets is still considerably in excess of the value at which they appear in the balance sheet now before you. This means that the margin of appreciation which we possessed two years ago was very substantial, but we were under no delusion about its true character. I felt that it could not last, and that the artificially low level to which interest rates had fallen would sooner or later give place to higher rates, a process which would involve a readjustment in capital values. That process has been operating, and I still hold the view that the underlying trend of fixed interest rates is upward. The financial world has been passing through times of unusual difficulty, and this fact has influenced us against following that long-term investment policy which in more normal times is a prominent feature of this company's finance. I am satisfied that the policy pursued has been a wise one and that, with a return to more normal conditions, we shall be able to derive substantial advantages therefrom.

Meantime I need make no apology for the conservative action of the directors in building up the investment reserve funds even when growing appreciation was the order of the day, and still less need I do so in times like the present.

This company has always favoured ordinary stocks, and by careful selection over a wide range we have not only enjoyed the resulting higher yield obtainable from such securities, but have maintained a margin of appreciation which, even to-day, is very substantial.

Cash on deposit and in hand has increased by £328,000 to £1,295,000 in accordance with our desire to keep a liquid position during such uncertain times. Signs are not lacking that we may soon be able to invest this money at more favourable rates of interest.

The directors have this year transferred the increased sum of £125,000 to the trustees of the staff pension fund.

The directors again offer their sincere thanks to the inside and outside staffs for their loyal and efficient services throughout the past year.

Mr J. Murray Laing, deputy general manager, in seconding the resolution, stressed the remarkably strong position which the company occupied financially.

The report and accounts were unanimously adopted, and Mr J. Murray Laing, the retiring director, was unanimously re-elected.

THE SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

RECORD OF STEADY PROGRESS

INCREASED PREMIUM INCOME

The one hundred and twenty-fifth stated annual meeting of the Scottish Widows' Fund and Life Assurance Society was held in the Society's head office, Edinburgh, on the 7th instant, Sir Ian Bolton, Bt., C.A. (chairman of the Ordinary Court of Directors), presiding.

In moving the adoption of the report and accounts, the Chairman said: The report, which is before you, deals not only with the society's affairs during the year 1938, but also with the results over the five years, 1934-1938. While the new business has increased each year during the quinquennium, and a comparison might be made one year with another, a more satisfactory measure is given by the figures in five-year periods. In this way fluctuations from year to year are evened out, and the trend is more clearly shown. The total new business in the five years, 1934-1938, after deducting amounts reassured, was £24 millions, as compared with £18 millions in the preceding quinquennium and £13 millions in the five years, 1924-1928. This is a gratifying record of steady and substantial progress, and is a striking testimony to the important service the society renders to the community.

The increase in new business has had its effect on the revenue account in the form of a further addition of £127,000 to the premium income, which in 1938 amounted to £2,220,000. This is about £360,000 more than the figure of five years ago—another gratifying measure of progress.

INTEREST RATES

Expenses and commission together are little more than in the previous year, and represent only 13.45 per cent. of the premium income, as against 14 per cent. in 1937—a reduction which bears witness to the economy of management which has long been one of the society's marked characteristics.

The low interest rates are largely responsible for a fall of 2s. 2d. in the gross rate of interest earned on the total assurance and annuity funds, from £5 4s. 6d. per cent. to £5 2s. 4d. per cent. The corresponding net rate of interest, after deduction of income-tax, is 3s. 4d. lower at £4 1s. 6d. the fall having been accentuated by the increase in income-tax. In present conditions, these reductions are moderate, and it is highly gratifying to be able to report a rate of interest which is only 2s. 10d. per cent. gross and 3s. 9d. per cent. less than in 1933.

THE NEW MORTALITY TABLES

At the annual meeting five years ago, the chairman referred to the joint publication by the Institute of Actuaries and the Faculty of Actuaries of a new mortality table based on a modern experience of assured lives. During the quinquennium monetary tables, based on this experience, were made available, and the new tables, known as the "A 1924-29 Tables," have been used on this occasion in the valuation of the society's obligations under assurance contracts. The rate of interest used was again 2½ per cent. net for the valuation of the sums assured and future net premiums, but, in valuing both of the existing reversionary bonuses and those to be declared as a result of the investigation, the reduced rate of interest of 2½ per cent. was employed, thus making a more stringent reserve. The total reserves held on this occasion are not only as large as they would have been had the old basis again been used but are at least equal to the reserves which would have been brought out by an ordinary net premium valuation on the new tables with 2½ per cent. interest throughout.

The surplus shown by the valuation is over £3,700,000 and, once again, the directors have declared a bonus at the high rate of £2 2s. per cent. calculated on the sum assured and existing ordinary bonuses—the actual rate, if reckoned on the sum assured alone, ranges from £2 2s. per cent. for recently effected policies to over £6 per cent. in the oldest case. This is an achievement in keeping with the society's long-standing reputation for high and consistent bonuses, and it is gratifying that at our one hundred and twenty-fifth annual meeting we have been able to mark the "century-and-a-quarter" with another impressive addition to our "unique bonus record."

BONUS RATES

The question of the rate of intermediate bonus to be allowed in respect of current claims and surrenders is one to which the directors gave careful consideration, and they decided that the time had come to make some reduction. Rates of interest remain at a low level, and we cannot look for any reduction in the burden of taxation so long as there is no improvement in international relations and nations continue to spend vast sums on armaments and defence. On the contrary, we may have to face further increases in income-tax. In these circumstances the directors did not feel that they could declare a rate of intermediate bonus with any confidence that it would be maintained throughout a whole quinquennium, and they therefore decided to fix the rate at 38s. per cent. compound for the present, and to review the position from time to time in the light of changing conditions.

The results of the quinquennial investigation, showing, as they do, a position of great strength, will, I am sure, be received with satisfaction by the members, and we can look forward to the future with every confidence in the continued vitality and prosperity of our society.

The directors' report and the accounts as audited were adopted unanimously.

THE STANDARD LIFE ASSURANCE COMPANY

BONUS OF 42s. PER CENT. ANNUAL AND COMPOUND DECLARED FOR THE TWELFTH SUCCESSIVE YEAR

RECORD NEW BUSINESS

FUNDS NOW EXCEED £30,000,000

The one hundred and thirteenth annual general meeting was held, on Tuesday, March 7, 1939. Mr George William Blackwood, chairman of the company, was in the chair.

The Secretary having read the auditors' report, the Chairman said:—Gentlemen,—May I take it to be your wish that the directors' report which is in your hands be held as read?

Before reviewing the results of the past year I should like to refer in a few words to the loss which the company has sustained since our last annual meeting by the death of two members of the board. Mr R. O. Pitman followed his brother the late Mr A. R. C. Pitman as a director of the company, and had served the Standard in that capacity for fourteen years. For the three and a half years prior to his death he had been vice-chairman of the company. Mr James Ivory was our senior director, having joined the board in 1906. For the long period of over thirty-two years his expert knowledge of financial matters has been of the greatest assistance to the company. Both will be greatly missed by their co-directors.

As will be seen from the report, Mr Stewart Macnaghten, who had held the position of manager for nineteen years, retired last July. His services to the company were invaluable, and I think I may say that the wonderful position in which we find ourselves to-day is due very largely to his efforts. As he joined the board on retirement, we still have the benefit of his great knowledge and experience. The directors appointed Mr A. E. King as successor to Mr Macnaghten. I very much regret that the state of Mr King's health prevents his being present with us to-day, but you will all join with me in wishing him a speedy and complete recovery.

SATISFACTORY NEW BUSINESS FIGURES

The year 1938 was a critical one, and the dominating effect of international politics was not conducive to that steady expansion of trade and industry which normally provides the best background for our business. Notwithstanding this, I am glad to be able to report that our new business again constituted a record. The amount of new ordinary life business written during the year was £4,649,000, and group life assurances amounted to £1,817,000, making the total life assurances £6,466,000. This figure exceeds the total for the

previous year by £1,336,000, and this is the first occasion on which the new business has passed the six million pounds mark. Our steady progress is most satisfactory, and you will appreciate the successful efforts of all who were responsible for it.

During the year the directors decided to discontinue the transaction of new business in India as from November 15, 1938. This step was taken with much reluctance, but the directors carefully considered all the circumstances and came to the conclusion that the best interests of the members would be served by the adoption of this course.

HIGH INTEREST EARNINGS AND FAVOURABLE MORTALITY EXPERIENCE

From the revenue account of the life assurance and annuity fund you will see that the premium income shows a very satisfactory increase, and has now reached the total of over £2,346,000. The interest revenue also shows an increase and amounts to over £1,252,000. As the rate of interest obtainable on new investments suitable for life assurance funds still remains low and as the standard rate of income tax during the year was increased from 5s. to 5s. 6d. in the £, you will appreciate that the problem of finding suitable investments for the company's surplus funds is a difficult one. In these circumstances I think you will agree that the rate of interest earned on the life assurance and annuity fund during the year, viz., £4 14s. 2d. per cent., after deduction of income tax, is highly satisfactory. The surplus income from the guarantee fund which is transferred to the credit of the life assurance and annuity fund amounts to over £39,700.

On the expenditure side of the revenue account there is little on which to comment. Claims by death show a decrease, which is highly satisfactory, particularly in view of our expanding business, and I am pleased to be able to say that our mortality experience has been favourable. A second contribution of £100,000 has been made during the year to the staff pension fund. The life assurance and annuity fund, now standing at over £27,900,000 shows an increase during the year of £1,400,000.

STRENGTH OF VALUATION BASIS

As regards the balance sheet, the general fall in security values to which I referred a year ago was continued in 1938, but I am glad to be able to say that the margin between the market and balance sheet values of our assets is of very considerable amount. For the valuation of the actuarial liabilities the same stringent bases were used as were employed last year, involving the assumption that the rate of interest earned by the company in the future on all its funds would be only 2½ per cent. After setting aside reserves for the liabilities calculated on this stringent basis and after transferring the sum of £100,000 to the staff pension fund, the directors were able to declare for the twelfth successive year an annual compound reversionary bonus of £2 2s. per cent., with appropriate bonuses under the cash bonus plan and other schemes.

FACILITIES FOR PROVIDING PENSIONS

The original and still the most important purpose of a life office is to enable a man to protect his dependants at his death, and the company's policies will be found to fulfil this purpose in the most advantageous manner. On the other hand, there are many other uses to which policies may be put, and one of the chief of these is the provision of pensions. The attention of the public has recently been drawn to this question by the Government's new voluntary pension scheme, and I would remind members of the facilities which the Standard offers both to private individuals to provide for their own retirement and to employers of labour to inaugurate satisfactory pension schemes for their employees. We specialise in pension business on behalf of industrial firms, and our experience in handling this type of business enables us to put forward a suitable plan for each particular case and to administer the scheme with the minimum of trouble to the employer. For the private individual who has to make his own pension provision we have introduced a new "Pension Policy," of which full particulars can be had on application to any of the company's branches.

This company is a mutual one, controlled by its members for their own benefit. I would therefore remind members that they are acting in their own interests if they assist in extending the influence of the company and in bringing the company's name and policies before any of their friends who may be thinking of taking out life assurance policies. In doing so they can be perfectly satisfied that their recommendation is one which neither they nor their friends will regret.

I now move the formal adoption of the report, revenue accounts and balance sheet submitted.

Mr G. Innes Stewart, C.A., seconded the motion, and the report was adopted unanimously.

HARRODS LIMITED

SATISFACTORY RESULTS IN A DIFFICULT YEAR

SIR WOODMAN BURBIDGE'S ADDRESS

The forty-ninth annual general meeting of Harrods Limited, was held, on the 6th instant, on the company's premises, Brompton Road, London.

Sir Woodman Burbidge, Bt., C.B.E., the chairman, in the course of his speech, said:—The net profit for the year amounts to £738,190, a decrease of £79,611. In view of the adverse conditions, I venture to think you will agree with me when I say that these results may be considered as not unsatisfactory.

Looking into some of the past records relating to the growth and development of this business during the last 20 years, some very interesting results are revealed. During these 20 years ended January 31, 1939, this company has earned net profit amounting to £13,300,000, an average over the 20 years of £665,000 a year. Moreover, before arriving at these profits, a sum of one and a-half million pounds had been written off in respect of depreciations. During this same period there has been distributed in preference dividends £5,588,732 and to the ordinary stockholders £6,650,771, and it is very interesting to note that the average rate per year of the ordinary dividend is 16 per cent. This, I think you will agree, is a very good record.

REBUILDING SCHEMES

Whatever success we have achieved in the past, it is my firm conviction that we have ample scope for further development. We do not fear competition from whatever quarter it comes, as it is still true that there is only one Harrods. I am a firm believer that it is impossible to stand still, and I cannot see any bounds to our possibilities. As evidence of our confidence in the future, I need only instance the rebuilding schemes we have in hand at the present time in Brompton Road, Manchester, and at Dickins and Jones. These will cost £1,200,000, and will be financed entirely out of our own resources.

Gross profit on trading amounts to £2,353,922, a decrease of £181,374. It is proposed to pay a final dividend of 11 per cent. actual, making 16 per cent. for the year, on the ordinary stock.

The trading results of our Manchester branch have not equalled those of last year. It must be admitted that business in this area, particularly as affecting the cotton industry, has experienced difficult times.

You will no doubt have seen the Press reports of the fire at our Manchester branch, and, although of a serious nature, doing considerable damage, it is very fortunate that it did not affect in any degree the main store immediately opposite. The loss is fully covered by insurance. The remains of the damaged buildings are being pulled down, and we shall in due course proceed with the erection of the whole of the new store, which we expect will be completed by August next year.

The trading for the year of Dickins and Jones, Limited, has resulted in a net profit of £106,893, a decrease on the previous year of £18,204. I regard this as only a temporary setback, due entirely to the difficult trading conditions prevailing throughout the year. It should be remembered that during the previous six years the net profit earned had increased by 47 per cent. The rebuilding of the remaining portion of the old block, now in course of erection, will have three floors completed and opened to the public next month, and the remainder next September.

I am pleased to report that D. H. Evans and Company, Limited, has done extremely well for the past year, as both the sales turnover and net profit earned show a satisfactory increase. The net profit for the year is £143,800, an increase of £6,000. I consider this business will continue to develop and prosper, and that Harrods has in its holding of the ordinary capital of this subsidiary company an asset which will be of increasing value.

OUTLOOK FOR 1939

After paying a tribute to the work of the staff, he went on to say: The company is in a very strong and sound financial position. We have in Harrods an organisation which has been built up and constantly modernised over a long period of years, and which I venture to claim is second to none in the retail distributive trade of the world.

I feel, therefore, the future progress of this business is full of promise. I trust our hopes for a speedy and permanent settlement of all international difficulties may be realised, and that we may enter upon a long period of peace. In this event, I am hopeful that I shall be able to put better results before you next year.

The report and accounts were unanimously adopted.

UNITED KINGDOM PROVIDENT INSTITUTION

1938 NEW RECORDS

MAXIMUM BONUS MAINTAINED

SIR ERNEST BENN ON THE NEWSPAPER MENACE

The ninety-eighth annual general meeting of the members of the United Kingdom Temperance and General Provident Institution was held on Wednesday, March 8, 1939, in the Incorporated Accountants' Hall, Victoria Embankment, London, W.C.

The Chairman (Sir Ernest J. P. Benn, Bt.) said:—My Lords, Ladies and Gentlemen,—In moving the adoption of the ninety-eighth report and accounts, and attempting a review, as is our custom, of the past year, I have a task which is perhaps more difficult, certainly more interesting, than ever before in my experience. From the general market I have to report a certain amount of depression, a considerable element of anxiety, a lack of confidence, and a failure to progress, out of which it would be easy to produce a superficial tale of woe.

But, in my judgment, any such tale would be far removed from the real truth, however much it might accord with that deeply cherished grumbling instinct which is one of the qualities of our race.

THE NEWSPAPER MENACE

Commerce and industry have always suffered the handicap of politics, but in these modern times a serious new barrier to peace and prosperity has arisen in the shape of an enormous expansion in the machinery for the distribution of news. Hour by hour the rotary press and the wireless have to be fed with more and more news. There remains, however, among all this advance and improvement, the age-old difficulty that good news is no news and bad news is good news. Thus in the realm of foreign affairs we only hear of the bad in other nations, and they, in their turn, are only informed of the bad which, strange as it may seem to us, is also to be found or invented here.

The business of news gathering and news distribution, on paper and on the air, must now be ranked with the greatest of our industries. In this country alone it employs more than a hundred millions of capital; there is a daily newspaper circulation of thirty million copies, and there are nearly nine million wireless licences.

To remember that the whole of this impressive structure is absolutely governed by the very human preference for bad news is to realise one of the difficulties of a peacemaking Prime Minister and the jeopardy in which quiet and confidence always stand.

The difference or difficulty about which men can disagree, argue or even fight is as old as history, but only in recent times has it become the essential raw material of a great and powerful industry. I fear that to preach goodwill to the news trade, the bad news trade as it must be called, is something like advocating teetotalism to brewers. But a more general understanding of this difficulty is one of the most urgent of present-day needs.

In the absence of cheer, or comfort, or encouragement from the news services, we are only saved from disaster by the good faith and sound common-sense of ordinary people, who still find, if not "sermons in stones," at least some "good in everything."

THE STOCK EXCHANGE IN 1938

Roughly three-fifths of your property is in Stock Exchange securities, and the shrinkage in values during 1938 was a matter of some concern to us. For some years past I have pleaded, in your name, for a better interest yield upon our money, and in each of the last four years I have noted with satisfaction a tendency in that direction. 1938 has given us all we hoped for, and has brought Stock Exchange prices into line with the five per cent. mentality of which I spoke last year. You must remember that, like all serious investors, we buy for income, and seeing that we have never taken credit for inflated capital values, we are able to remain undisturbed when the inflation disappears. Our economic department has functioned so effectively that the round million of appreciation which we put into a published reserve remained intact even at the low Stock Exchange levels of December 31st.

I fail to share the feelings of the pessimists, and I think that the story of the Stock Exchange in 1938 gives further proof of our strength and staying power as a nation. We have lost foreign funds chiefly because of returning confidence in France and America. I can find no cause for pessimism in that. I suspect that the withdrawal of foreign money was accelerated by official attempts to stop it, and I regret that, notwithstanding all the lessons of the post-war period, we still persist in the attempt to control and manage that which, more than anything else, derives its "sweetness and perfume"

from "Liberty alone." The withdrawal of "funk" money because of the absence of reason for "funk" should be a matter for congratulation, and should be quickly followed by the deposit of new money arising out of the prosperity of the foreigner.

The bureaucratic grip upon our activities still tends to tighten. If Chambers of Commerce, farmers, shipowners and others continue to demand Government assistance in fields where government is out of place, that grip must get tighter still. There are those who hold that confidence and management can go together. To my mind the two things are wholly incompatible, and I believe that the rapid development of the new science of management, as exemplified in the Exchange Equalisation Fund and recent legislation, is in part responsible for the continued weakness of confidence.

The ordinary man, rightly, shrinks from a market where the largest and most powerful operator is a newcomer, full of theories, but devoid of experience, whose avowed object is not to secure income, or to make profit, but simply to defeat the law of supply and demand.

From the mass of dialectical generalities about the practice of control and management, two, and only two, small but significant facts have emerged. The first is that the Issue Department has ceased to be a source of profit to the Treasury, and has made a loss of £9,000,000; secondly, £86,000,000 has been placed to a reserve in the equalisation account, indicating that in the opinion of the managers, losses are not to be ruled out even in the Holy of Holies of the new economics. The situation was admirably summed up by an American correspondent who wrote: "We don't know where we're going, but we're getting there all right."

ANOTHER FIVE MILLIONS

Coming to the details of our own business, which, of course, hang upon these wider considerations, I am happy to report that the total of the new policies written during 1938 exceeded for the second time the sum of £5,000,000, and improved a little upon the record figure established by us in 1937.

OUR FUND

We can claim another record for the year just passed in that for the first time in our history the normal annual addition to our life assurance fund had reached the seven figure mark. We add to the fund the handsome sum of £1,030,020.

CLAIMS

The institution paid out in 1938 £1,510,143 in claims arising by death, by maturity, and by surrender. This figure is three times the average of the previous 97 years, and provides striking evidence of growth, but it is even more interesting as evidence of the value of life assurance as a method of investment. If each of the claims paid during 1938 is considered as part of an estate, whether large or small, it is safe to assume that the life assurance item was, in most cases, the only one that realised the full value attached to it.

EXPENSES OF MANAGEMENT

The directors are happy to report that notwithstanding the continued growth of the new business undertaken, the ratio of management expenses to premium income has been reduced by .2 per cent.

THE BONUS

I have left until the last the important question of the valuation and distribution of bonus.

You will see from the printed report that the actuary puts the present value of the liabilities under all contracts at £23,193,583.

We can pride ourselves upon being able to maintain our reserves for both old and new contracts upon the same stringent basis as before. We then come to the life assurance annuity and capital redemption fund which is shown as £25,198,836, without taking into account in any way the £1,000,000 reserve fund. There is thus a surplus of assets over liabilities of £2,005,251, of which £400,377 was brought forward from the previous valuation.

It requires the sum of £1,633,201 to allot bonuses at the same record high rates as declared ever since 1927, and there remains the sum of £372,050 to be carried forward undivided.

Throughout the triennium, the inroads into the funds made by the death claims have been light, and this has been a powerful factor in the production of the surplus available for distribution to members.

The institution has a fine history of large bonuses, and the declaration of a steady rate for the past twelve years, during which period the prices of gilt-edged stocks have jumped up and down like the shoddiest of industrial shares, is proof of the stability which you secure when your money is invested in this institution.

The report and accounts were unanimously adopted.

MIDLAND COUNTIES ELECTRIC SUPPLY COMPANY, LIMITED

YEAR OF STEADY PROGRESS

MR GEORGE BALFOUR'S REVIEW

The twenty-sixth ordinary general meeting of Midland Counties Electric Supply Company, Limited, was held, on the 3rd instant, at Winchester House, Old Broad Street, London, Mr George Balfour, J.P., M.P. (the chairman), presiding.

The Chairman, in the course of his speech, said that the accounts continued to indicate steady progress. As the company had still to provide for increasing load, demanding further additions to plant and transmission system, it appeared that they could look forward with confidence to the results of the current year.

SOUND POSITION OF TRANSPORT PROPERTIES

It was very satisfactory to record that after a long struggle the board had placed the transport properties, which represented only 9½ per cent. of the company's share and loan capital, in a thoroughly sound position, and the board felt the time had now come to consider the question of separating the transport business and presenting a separate account, as to which they would probably have something to report during the year.

The traction properties operated services over 541 route miles with a fleet of 289 modern vehicles.

Last year they had carried 52,625,000 passengers, compared with 49,825,000 in the previous year. After providing £41,687 for depreciation of rolling-stock, as against £23,700 in the preceding year, the trading profits of the Traction properties amounted to £99,920, of which £54,858 had been appropriated for depreciation and reserve against assets other than rolling-stock and £45,062 brought over into the company's accounts.

Dealing with the general position, he would emphasise that theirs was a holding company in the full sense of the term, and their very large territory could not have been developed as rapidly or the consolidation of services brought about if their company had not knit all the properties together through the one central control.

As to the work they had done and the new business secured last year, they had afforded supplies in 29 parishes hitherto unserved, their supply now being available in four boroughs, 30 urban districts, and 663 rural parishes, while street lighting services were now provided in three boroughs, 18 urban districts, and 147 parishes and rural districts.

NEW CONSUMERS

They had connected 16,568 new consumers during the year, bringing the total number up to 150,670, approximately double the number at the end of 1934. The generating stations owned and operated by their company's subsidiaries had produced 562,041,000 units and in addition had purchased 17,819,000 units. A decrease in the number of units sold to a few high-load factor industrial consumers at the lowest power rates had been more than overtaken by supplies afforded to domestic consumers and miscellaneous power-users, a fact which was reflected in the slightly increased average price obtained over the whole area, which for the past year had been 0.872d. per unit, compared with 0.840d. in the preceding year.

The units sold direct to domestic consumers and small traders for power, lighting, heating, and cooking had been 64 million units, and it was interesting that 67 per cent. of the supply to that class of consumer was supplied under two-part tariff and the balance through slot meters and metered flat-rate charge. The average price of all domestic load under two-part tariff, which was available to all classes of consumers, was 1.83d., and of all domestic supply, including supplies under flat-rate charge slot meters, and two-part tariff, was 2.61d. per unit.

PROFITS AND DIVIDEND

The trading profits of the subsidiary companies had amounted after payment of income tax to £812,827. They now had, with £14,933 brought forward, an available balance in their company of £428,683. After various appropriations the board recommended a final dividend of 5½ per cent. on the ordinary stock, making 8 per cent. for the year, carrying forward £15,162.

Last year he had informed shareholders that a pension fund for the employees of the electricity supply undertakings had been established and operating from February 1, 1938. At the end of the year 1,018 members of the staff and employees were subscribers to the fund. The company's contribution for the year had amounted to £6,155 and a like amount had been contributed by staff and employees benefiting under the scheme.

The report and accounts were unanimously adopted.

SCOTTISH POWER COMPANY, LIMITED

FURTHER EXPANSION

The twenty-ninth annual ordinary general meeting of this Company was held, on the 9th instant, in Edinburgh.

Mr George Balfour, M.P. (the chairman), after referring to the loss they had sustained by the death of Sir Tom Callender and mentioning that Sir Robert Brooke, Bt., had been elected a director to fill the vacancy, said that the accounts would, he was sure, be accepted by stockholders as satisfactory. The progress made during the year was substantial and fulfilled their expectations.

The rapid development of electricity supply from Brora in the North to Northumberland in the South with only one small gap intervening could not have been accomplished without the machinery of the company as a holding company capable of quick action in acquiring, consolidating and developing electricity supply services immediately the opportunity occurred. The company owned the whole of the share and loan capital of all their subsidiary companies except a few thousand pounds in one company, and therefore at these meetings he had been in the habit of speaking of the affairs of all their subsidiary companies as though they were one consolidated property and not detached undertakings.

SATISFACTORY WORKING

All the hydro-electric plants had operated satisfactorily throughout the year and had produced an output largely in excess of their calculations and requirements, with the result that they were in a happy position of being able to supply from surplus water over 40 million units to the Central Board in excess of their contract, although they had only received for that surplus supply the very small sum of £13,500.

Last year in the catchment areas feeding the reservoirs from which they drew their water power, they had had an average rainfall of 91 inches, or 45 per cent. over the mean average rainfall for a period of years. Nature seemed to work in a peculiar and disturbing way. The supply from the watershed of Loch Garry became available at the end of 1937 just in time to avoid water shortage. That was immediately followed by excessive rainfall which, if they could only have foreseen, would have enabled them to postpone construction work for one year. Their task, however, was to see that their water resources and their reservoir capacity were sufficient to deal with periods of drought even though they had to run water to waste or sell "spill water" units for a small sum.

They had continued their policy of consolidation, and during the year had purchased the small unauthorised undertakings at Brora in Sutherlandshire and Coldingham in Berwickshire, replacing the existing direct current systems in those districts with a modern alternating current system and had continued the change-over to alternating current in other larger districts. Their business-getting and publicity department was specially active during the year attending to existing consumers and encouraging new business. Apart from the establishment of heavy industries, it was time small industries were established in the Highlands. They were ready to consider applications from responsible parties who were able and willing to put up small works for miscellaneous manufactures with a view to providing assistance in tiding over their preliminary difficulties during the first year or two.

ADDITIONS TO SYSTEM

They had added 367 miles to their transmission and distribution systems during the year, 192 miles being high tension and 175 miles low tension, making a total of 3,697 miles of mains in service, compared with 3,330 miles in the previous year. During the year they had connected 10,637 consumers, bringing the total up to 80,643. During the last five years they had nearly doubled the number of consumers. They had inaugurated supplies in four burghs and 40 villages and now served 101 burghs (of which only 10 had more than 10,000 population) and 287 villages. Public lighting was inaugurated in five burghs and 13 county districts, and they now supplied public lighting in 70 burghs and 138 county districts.

In addition to the spill water units, they had sold over 278 million units, of which over 106 million units were under their contract with the Central Board and nearly 172 million units for their general power, domestic and business purposes, an increase of 7.7 million units due to small power and domestic load.

The trading profits of their subsidiary companies, together with miscellaneous receipts of the Scottish Power Company and interest charged to capital during construction, amounted to £747,309, an increase of £52,778. The directors recommended a final dividend of 5½ per cent. on the ordinary stock, making 8 per cent., less income tax, for the year.

The report was adopted unanimously.

SELFRIDGE AND COMPANY, LIMITED

ADVERSE TRADE CONDITIONS

The thirty-first annual ordinary general meeting of Selfridge and Company, Limited, was held, on the 3rd instant, in London.

Mr H. Gordon Selfridge (chairman and managing director), who presided, said that the year 1938 had proved to be an unhappy period for nearly every business in the world. They had all been confronted with a continuous succession of international disturbances, and the commercial, industrial and financial world had been thrown seriously out of line.

The retail trade, and particularly as it applied to London, might generally be regarded as a fairly accurate index to industrial conditions and the general state of trade. Taking the four years to January, 1930, which was a good time, their net trading profit averaged £484,000, but when the slump started, in 1930-31, the average fell for the next four years to £382,000. The recovery which commenced in 1934-35 went on until well into the first half of 1937 and levelled up the average of the three years ended January, 1937, to £424,000. The present decline in industrial production commenced in 1937, with the result that last year's figures and the amount of profit now disclosed showed reductions from previous years. The present figure of £370,644, however, was still £29,000 above the low year of 1932-33, and even the average for the last two years was well above that for the four-year period to January, 1934.

The year 1938 began at once, as compared with 1937, to show reduced figures. In March, during which month Austria was taken over by the Nazi army, the loss in returns grew heavier. The following months were periods of doubt and question, and then came the September crisis, when their losses in returns reached high-water mark. With the easing in the public's nervous condition following Mr Chamberlain's return from Germany, they thought they could anticipate a return of reasonable or more or less normal conditions. But the exceptionally mild weather during October and November affected sales, and it was not until the middle of December that their returns increased instead of decreased. January also helped a little, but the year's total was so much off that their reductions in expense were not equal to the loss in gross profit.

As to the accounts, the available total was £432,410. Debenture interest and sinking fund took £59,723, and the amount reserved for income tax and national defence contribution absorbed £25,000 more at £105,000. The amount paid under guarantee to William Whiteley, Limited, was £12,400 higher at £50,741 and £50,000 was again written off premises. The full year's dividend on the 6 per cent., tax free, preference stock required £78,000, and after charging the dividend on the preferred ordinary stock paid to September 30th, the balance remaining was £22,279. It was their practice to carry forward a sum sufficient to cover the liability to William Whiteley, Limited, to the date of the accounts, and for that purpose £75,000 had been transferred from general reserve to leave a balance of £97,279, which sum would be considerably in excess of the actual liability. The total liability incurred and paid to January 31, 1938,

was £585,181. There were only three more years to run under that liability.

Given normal conditions there were grounds for anticipating some improvement in the current year, and although that was not yet apparent in the figures, there were indications of reviving confidence and better trade.

The report and accounts were unanimously adopted.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

GOOD RESULT IN A DIFFICULT YEAR

The annual general meeting of the Scottish Equitable Life Assurance Society was held at Edinburgh, on the 9th instant.

The chair was occupied by the president of the society, the Right Hon. the Earl of Stair, K.T. He called upon the chairman of the board of directors to present the annual report and balance sheet, and in the course of his remarks Sir Harry Hope, Bt., said:—

We have now completed the first year of a new quinquennium. It has been a year of exceptional difficulty. The steady increase in the total life assurance business of the country which had continued for some years received its first setback, Stock Exchange securities fell in value and generally the problems of life assurance management have become increasingly exacting. In such times it is well to look first to our reserves. We have a very strong actuarial valuation, and while in common with similar institutions we suffered depreciation in investments during the year our "hidden reserve" or buffer to meet such eventualities has proved considerably more than ample.

NET RATE OF INTEREST

The net rate of interest earned on our total funds is £3 18s. per cent., of £4 1s. per cent. after making allowance for the reserve fund and carry-forward. As the rate of interest assumed in our actuarial valuation was 2½ per cent. the rate earned gives a satisfactory margin.

FAVOURABLE MORTALITY EXPERIENCE

The claims experience is much better than the mortality tables would have led us to expect. The postponement of claims as a result of a favourable mortality experience means that not only will the society continue for a longer period to collect the premiums, but it will also receive the interest of which earlier payment of the sums involved would have deprived it.

NEW BUSINESS

Net new business was £1,836,395, which is rather less than last year's figure. The gross returns, however, were a few thousands in excess of the previous year, and we look forward to increasing new business.

The report was adopted.

THE COMMODITY MARKETS—continued.

exports from China to the British-controlled Pekin Syndicate. Whether this company will be able to export tungsten from China depends on the attitude of the Japanese authorities. The market does not expect a shortage of supplies and the demand, although larger than in the preceding two months, is not too active.

and barley prices have also slightly improved, with a rather better demand for feeding purposes.

Miscellaneous Commodities

Oils and Oilseeds.—Although the volume of business remains small, the undertone of the market has improved and prices are tending higher. Prices of both Plate and Indian linseed have advanced, and linseed oil is about 15s. per ton dearer. Trade in oilcakes is still below normal.

★

Rubber.—After a period of dull trading at the end of last week, the market improved and the fall in prices was entirely recovered by Wednesday, when the price of standard sheet on the spot closed at 8½d. per lb. The British motor factories are reported to have had an exceptionally busy month in February.

Furs.—The following table gives the prices (in shillings and pence per skin) of leading furs at the Hudson's Bay Company's recent sales:—

	Autumn Sale 1938	Winter Sale 1938	Winter Sale 1939
Beaver—Mackenzie Rv.	86 0	88 0	122 0
ex ex large	126 0		
Ermine—York Fort, ex	4 1	4 4	4 4
ex large	4 9	5 0	4 6
Fisher—York Fort 1+2	110 0	107 6	130 0
Dark	200 0	200 0	170 0
Fox Bastard—York Fort, 1+2 Dark	47 0	77 0	39 0
Fox Blue—Arctic Dark	120 0	100 0	80 0
Fox, Cross—York Fort, Medium 1	155 0	310 0	157 6
Fox, Red—York Fort, Medium 1	100 0	120 0	77 6
Unsold	75 0	55 0	62 0
Lynx—York Fort, ex large	225 0	210 0	235 0
Marten—Mackenzie Rv. 1 Pale	112 0	112 0	126 0
Mink—York Fort, ex large 1+2 Dark	116 0	112 0	127 6
Musquash—Black, U.S.A.	54 0	57 0	45 0
Otter—1+2, ex Dark	7 6	5 4	7 6
Skunk—York Fort 1...	104 0	104 0	116 0
Wolf—York Fort, ex large	5 5	6 6	6 9
Peruvian Lamb—S.W.	33 0	33 0	42 5
Adelphi C. Grade A	46 0	58 0	29 6
	47 6	55 0	51 0

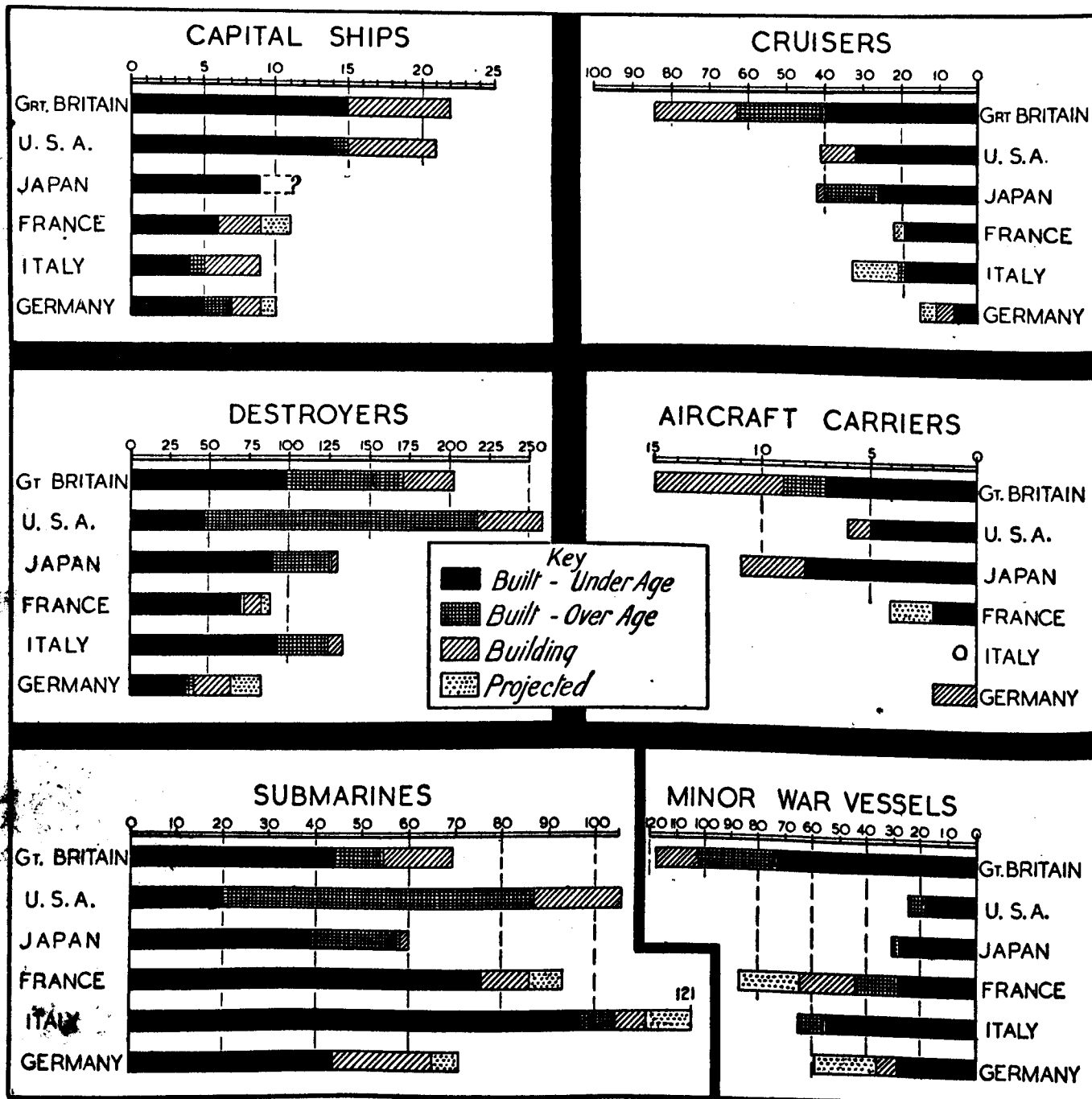
CURRENT STATISTICS

CONTENTS

	Page		Page
<i>The World's Navies</i>	538	INVESTMENT	
FINANCE		Transport Receipts	543
Government Returns	539	Dividend Announcements	543
Bank of England Returns	539	London Active Securities and Yields	544
Overseas Bank Returns	540	The Week's Company Results	546
Bank Clearings	541		
Money Rates	541	INDUSTRY AND TRADE	
Exchange Rates	541	Commodity Statistics	547
Imports and Exports of Gold and Silver	542	British Wholesale Prices	548
Monthly Statement of London Clearing Banks	542		
Oil Outputs	542		

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

The World's Navies



Source: *Fleets of the British Commonwealth of Nations and Foreign Countries, 1939*. Cmd. 5936. Price 2s. The official return does not include figures for the Soviet Navy. The categories are those of the London Naval Treaty, but the heading "Capital Ships," shown above, excludes coast defence vessels. "Cruisers" refers to light surface vessels, sub-categories A and B (mainly heavy and medium cruisers). "Destroyers" refers to sub-category C (including light cruisers). Any slight discrepancies between the figures charted and those given in the leading article on page 493 are due to differences of classification.

Finance

GOVERNMENT RETURNS

For the week ended March 4, 1939, total ordinary revenue was £34,191,000, against ordinary expenditure of £21,570,000. Thus, excluding sinking fund allocations, Defence expenditure from loans, and £720,000 interest paid and received to date in respect of Defence loan issues, the deficit accrued since April 1st last is £34,324,000, against a deficit of £2,305,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Mar. 5, 1938	April 1, 1938, to Mar. 4, 1939	Week ended Mar. 5, 1938	Week ended Mar. 4, 1939
ORDINARY REVENUE					
Income Tax	£341,150	266,797	296,721	18,667	22,098
Sur-tax, etc.	62,000	44,290	48,930	3,250	3,510
Duties	88,000	82,320	70,210	1,610	1,660
Stamps	24,000	19,410	18,820	50	50
N.D.C.	20,000	580	19,130	60	910
Other In. Rev. Duties	1,250	1,570	1,440	70	70
Total I. Rev.	536,400	414,967	455,251	23,657	28,298
Customs	227,950	204,693	207,078	4,513	4,012
Excise	116,150	106,500	106,878	909	1,084
Total Cust. and Excise	344,100	311,193	313,956	5,422	5,096
Motor Duties	36,000	34,182	35,039	121	216
P.O. (Net Receipt)	8,670	13,360	12,384	160	514
Crown Lands	2,400	25	...	...	...
Rec. from Sun. Loans	1,330	1,280	1,250	...	...
Misc. Rec.	5,250	5,230	5,699	68	67
Total Ordinary Revenue	944,650	792,024	834,356	29,453	34,191
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	68,690	71,016	1,240	936
Total...	1,025,092	860,714	905,372	30,693	35,127

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Mar. 5, 1938	April 1, 1938, to Mar. 4, 1939	Week ended Mar. 5, 1938	Week ended Mar. 4, 1939
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	212,398	213,912	8,388	7,613
Payments to N. Ireland	8,900	7,228	8,105	428	462
Other Cons. Fund Serv.	5,239	2,942	4,670	9	25
Total...	244,139	222,568	226,687	8,825	8,100
Supply Serv.	702,409	571,760	641,994	11,149	13,470
Total Ord. Expend.	946,548	794,328	868,681	19,974	21,570
Sinkg. fds. SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	68,690	71,016	1,240	936
Total...	1,026,990	863,018	939,697	21,214	22,506

* 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).
|| Now transferred as charge against revenue.

After raising Exchequer balances by £345,400 to £2,938,527, the other operations for the week (as shown below, but excluding £10,500,000 issued under the Defence Loans Act and £10,029,000 under the Czechoslovakia Act, and £1,894,000 issued to Sinking Funds) raised the gross National Debt by £10,148,000 to about £8,278 millions.

WEEK'S CHANGES IN DEBT

NET INCREASE (£ thousands)		NET REPAYMENTS, ETC.	
Treasury bills	4,798	Nat. Savings Certs.	50
Bk of Eng. Adv.	6,000	N. Atl. Shipping	25
Pub. Dept. Adv.	50	P.O. and Teleg.	800
Land Settlement	20		
Tithe Act	155		
	11,023		875

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to March 4, 1939, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	868,681	Ordinary Rev.	834,356
Eire issues	10,000	Eire receipts	10,000
Def. Loan iss.	73,750	Gross borr.	128,827
Cz.-Slovak. iss.	10,029	Less:	
Inc. in balances	574	Sinkg. Fds.	10,149
		Net borrowing	118,678
	963,034		963,034

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
Mar. 5	522.0	282.4	39.8	...	844.2	322.2
Nov. 12	517.0	407.2	45.4	...	969.7	452.6
" 26	522.0	403.7	41.7	...	967.4	445.4
Dec. 3	517.0	445.4	49.5	...	1,011.9	494.9
" 10	507.0	465.3	46.7	...	1,019.0	512.0
" 17	500.0	474.2	51.5	...	1,025.7	525.7
" 24	493.0	495.3	42.1	...	1,030.4	537.4
" 31	488.0	497.6	45.8	5.3	1,036.7	543.4
1939						
Jan. 7	474.0	524.5	41.0	0.7	1,040.2	565.5
" 14	449.0	525.5	37.1	...	1,011.5	526.6
" 21	426.0	524.1	37.6	...	987.5	561.7
" 28	411.0	517.8	39.3	...	968.1	557.1
Feb. 4	396.0	520.1	36.7	...	952.8	556.8
" 11	381.0	502.4	38.8	...	922.2	541.2
" 18	366.0	498.6	38.9	...	903.5	537.5
" 25	351.0	500.0	40.2	...	891.2	540.2
Mar. 4	346.0	509.8	40.2	6.0	902.0	450.0

TREASURY BILLS

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1938					
Mar. 4	45.0	97.8	45.0	10 0.94	30
Nov. 11	35.0	62.7	35.0	10 6.16	52
" 18	35.0	62.6	35.0	14 11.37	38
" 25	35.0	69.6	35.0	17 7.80	32
Dec. 2	35.0	74.8	35.0	17 11.03	18
" 9	35.0	68.8	35.0	10 3.54	22
" 16	30.0	70.6	30.0	20 0.79	27
" 23	35.0	62.9	35.0	22 0.45	44
" 30	35.0	74.1	31.0	13 8.88	37
1939					
Jan. 6	25.0	60.3	25.0	11 0.08	29
" 13	25.0	65.1	22.0	10 8.09	24
" 20	25.0	67.8	23.0	10 3.54	22
" 27	20.0	63.4	20.0	10 5.04	18
Feb. 3	20.0	67.6	20.0	10 4.76	13
" 10	20.0	71.2	20.0	10 1.41	25
" 17	20.0	70.1	20.0	10 0.64	15
" 24	30.0	72.6	30.0	10 1.33	30
Mar. 3	40.0	83.8	40.0	10 0.48	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 March 3rd applications at £99 17s. 5d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, and Friday of following week were accepted as to about 27 per cent. and applications at higher prices in full. Applications at £99 17s. 6d. for bills to be paid for on Saturday were accepted in full. £40.0 millions of Treasury bills are being offered on March 10th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Seven weeks to:—		
February 19, 1938	5,127,197	3,845,395
February 18, 1939	4,751,679	3,563,759
Week to:—		
February 19, 1938	628,088	471,066
February 11, 1939	713,324	534,993
February 18, 1939	646,164	484,623

BANK OF ENGLAND RETURNS

MARCH 8, 1939

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt	11,015,100
In circula. 479,177,934		Other Govt. Securities	288,315,094
In Bkng. De- partment. 46,855,157		Other Secs.	7,164
		Silver Coin	662,642
		Amt. of Fid. Issue	300,000,000
		Gold Coin & Bullion	226,033,091
	526,033,091		526,033,091

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital 14,553,000		Govt. Secs.	89,246,164
Rest 3,666,769		Other Secs.	3,359,561
Public Depts.* 11,448,896		Securities	22,395,290
Other Depts.			
Bankers ... 97,423,947		Notes	25,754,851
Other Accs. 35,804,295		Gold & Silver Coin	1,040,735
	133,228,242		162,896,907

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

THE WEEK'S CHANGES

Both Departments	Amt. Mar. 8, 1939	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	479,178	+ 729	- 82
Deposits: Public	11,449	- 194	- 1,123
Bankers'	97,424	- 12,937	- 16,856
Others	35,804	- 745	- 287
Total outside liabilities	623,855	- 13,147	- 18,348
Capital and rest	18,220	+ 13	- 28
COMBINED ASSETS			
Govt. debt and securities	388,576	- 9,872	+ 83,395
Discounts and advances	3,360	- 2,990	- 3,165
Other securities	22,402	+ 8	+ 902
Silver coin in issue dept.	663	+ 76	+ 651
Gold coin and bullion.†	227,074	- 342	- 100,158
RESERVES			
Res. of notes & coin in banking department...	47,896	- 1,071	- 76
Proportion of reserve to outside liabilities—			
(a) Bankg. dept. only ("proportion")	33.1%	+ 2.3%	+ 3.7%
(b) Gold stocks to deposits and notes ("reserve ratio")	36.4%	+ 0.7%	- 14.5%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS

	(£ millions)				
	1938 Mar. 9	1938 Feb. 15	1939 Feb. 22	1939 Mar. 1	1939 Mar. 8*
Issue Dept.:					
Notes in circ.	479.3	473.2	472.7	478.4	479.2
Notes in bank- ing dept.	47.1	53.2	53.7	48.0	46.9
Govt. debt and securities	200.0	399.6	399.5	299.4	299.3
Other sec.	0.0	0.0	0.1	0.0	0.0
Silver coin	0.0	0.4	0.5	0.0	0.7
Gold, valued at s. per f. oz.	84.96	84.96	126.4	226.4	226.0
Deposits:					
Public	12.6	12.5	16.4	11.6	11.4
Bankers'	114.3	110.5	103.1	110.4	97.4
Others	36.1	35.5	35.1	36.5	35.8
Total	163.0	158.5	154.6	158.5	144.6
Bkg. Dept. Secs.:					
Government	105.2	82.5	78.9	99.0	89.2
Discounts, etc.	6.5	18.1	17.5	6.3	3.4
Other	21.5	21.9	21.7	22.4	22.4
Total	133.2	122.5	118.1	127.7	115.0
Banking dept. reserve	48.0	54.2	54.7	49.0	47.9
"Proportion"	29.4	34.1	35.3	30.8	33.1
Reserve ratio†	50.9	20.2	20.3	35.7	36.4

* Government debt is £11,015,100; capital £14,553,000. † Gold stocks in both departments to deposits and notes in circulation.

OVERSEAS BANK RETURNS

OTE.—A return of the Bank of Spain appeared in *The Economist* of May 28, 1938. The latest return of the Bank of Portugal appeared in our issue of February 4th; Danzig, Hungary, India, an, of February 25th; Argentina, Bulgaria, Canada, Egypt, Finland, Japan, Java, Yugoslavia, Norway and Federal Reserve Reporting Members, March 4th.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

ASSETS	Feb. 28, 1938	Dec. 31, 1938	Jan. 31, 1939	Feb. 28, 1939
Gold in bars	16.3	17.1	44.5	51.1
Gold coins	30.8	42.8	16.6	11.9
Light funds	13.9	16.6	18.5	12.5
Other assets	127.7	149.0	141.5	148.0
Liabilities	100.7	121.1	161.7	170.3
(a) Commercial bills	55.7	72.1	30.2	29.3
(b) Treasury bills	30.0	261.8	272.0	271.5
Other assets	1.0	0.9	1.0	1.6
LIABILITIES	148.2	149.3	149.3	149.3
Deposits and reserves	154.3	153.2	153.1	153.1
(a) Annuity trust	108.6	101.8	102.0	102.0
(b) Govt. deposits	2.7	1.5	1.7	1.7
Short and sight depts.	4.3	5.6	5.6	4.6
(a) Central banks	9.4	9.5	9.7	9.8
(b) Other deposits	45.4	42.6	43.4	44.7
Miscellaneous items				

U.S. FEDERAL RESERVE BANKS

Million \$'s	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
12 U.S.F.R. BANKS				
Gold certifs. on hand and due from Treas.	9,179	11,979	12,155	12,184
Total reserves	9,659	12,431	12,597	12,609
Total cash reserves	472	442	432	415
Total bills discounted	8	7	4	3
Bills in open mkt.	1	1	1	1
Total bills on hand	9	8	4	4
Industrial advances	17	15	15	14
Total U.S. Govt. sec's.	2,564	2,564	2,564	2,564
Total bills and sec's.	2,590	2,587	2,583	2,582
Total resources	12,862	15,755	15,927	15,841
LIABILITIES				
F.R. notes in circ.	4,134	4,345	4,356	4,344
Aggregate of excess int. bank res. over reqts.	1,470	3,460	3,380	3,410
Deposits — Member-bank reserve account	7,311	9,018	8,942	8,985
Govt. deposits	181	931	1,168	1,102
Total deposits	7,881	10,437	10,593	10,597
Cap. paid in and surplus	309	311	311	311
Total liabilities	12,862	15,755	15,927	15,841
Reserve to depts. and F.R. notes	80.4%	84.1%	84.3%	84.4%
U.S.F.R. BANKS AND TREASURY COMBINED				
Monetary gold stock	12,768	14,732	14,888	14,923
Treasury and Nat. Bk. currency	2,670	2,818	2,827	2,829
LIABILITIES				
Money in circulation	6,334	6,673	6,739	6,751
Treasury cash and deposits with F.R. Bks.	3,743	3,699	3,884	3,818

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

ASSETS	Mar. 10, 1938	Feb. 9, 1939	Mar. 9, 1939	Mar. 9, 1939
Total gold reserves	389.8	572.9	579.6	566.9
Total bills discounted	2.4	3.5	1.0	1.0
Bills in open mkt.	0.2	0.2	0.2	0.2
Total U.S. Govt. sec's.	739.6	724.6	724.6	724.6
Total bills and sec's.	746.5	732.2	729.6	729.6
Deposits — Member-bank reserve account	329.1	249.6	486.7	478.6
Reserve to depts. and F.R. notes	85.5%	89.9%	90.0%	89.9%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

ASSETS	Feb. 28, 1938	Jan. 30, 1939	Feb. 20, 1939	Feb. 27, 1939
Gold and English stg.	16.00	16.03	16.03	16.03
Other coin, bullion, &c.	5.49	5.40	5.63	5.69
Call money, London, &c.	25.69	19.19	19.08	18.63
Securities and advances	92.02	97.71	90.68	89.64
LIABILITIES				
Notes issued	49.03	48.03	47.53	47.53
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	87.29	87.66	85.57	84.05

BANK OF GREECE.—Million drachmae

ASSETS	Feb. 28, 1938	Jan. 23, 1939	Feb. 23, 1939	Feb. 23, 1939
Gold and gold exchange	3,556	3,857	3,843	3,859
State sec. in for. curr.	603	718	730	725
Bills discounted	5,197	8,002	7,747	7,727
Advances	3,869	4,180	4,182	4,182
State debt				
LIABILITIES				
Notes in circulation	6,357	6,743	6,559	6,589
Dep. and current. accts.	6,465	9,857	9,606	9,744
Foreign exch. liabilities	175	220	202	210

REICHSBANK

Million Reichsmarks	Feb. 28, 1938	Jan. 31, 1939	Feb. 28, 1939	Feb. 28, 1939
ASSETS				
Gold	70.8	70.8	70.8	70.8
Of which deposited abroad	20.3	10.6	10.6	10.6
Res. in foreign currencies	5.2	5.6	5.8	5.5
Bills and cheques	5,658.2	7,160.1	6,489.4	7,361.5
Silver and other coin	152.5	193.1	256.5	177.5
Advances	81.4	52.0	35.0	60.4
Secs.: for note cover	396.4	592.1	660.4	660.4
Others	800.9	1,655.0	1,633.0	1,532.8
LIABILITIES				
Notes in circulation	5,278.3	7,816.1	7,248.7	7,938.8
Other daily maturing obligations	891.0	1,119.3	1,085.3	1,105.4
Other liabilities	353.2	426.5	439.9	447.8
Cover of note circulatn.	1.44%	0.98%	1.06%	0.96%

BANK OF FRANCE.—Million francs

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold*	55,807	87,266	87,266	87,266
Bills: Commercial	11,723	10,020	9,825	9,172
Bought abroad	805	726	726	726
Advances on securities	3,852	3,512	3,317	3,487
Thirty-day advances	1,117	687	73	467
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	32,704	20,627	20,627	20,627
Negotiable bonds	5,575	5,470	5,470	5,470
Sinking Fund Dept.	4,189	4,270	4,322	4,407
Other assets				
LIABILITIES				
Notes in circulation	94,221	111,855	111,162	114,155
Deposits: Public	2,148	4,914	5,079	4,689
Private	19,235	22,721	22,432	19,763
Other liabilities	3,369	3,090	2,953	3,015
Gold to sight liabilities	48.2%	62.5%	62.9%	62.9%

* Revalued Nov. 17, 1938, at 27½ milligrams.

NATIONAL BANK OF BELGIUM

Million belgas	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
ASSETS				
Gold	3,531	3,465	3,471	3,233
Silver and other coin	53	57	56	53
Foreign exchange, etc.	1,029	922	918	837
Bills and securities	572	558	555	596
Advances	40	48	33	74
LIABILITIES				
Notes in circulation	4,381	4,433	4,409	4,386
Deposits: Govt.	47	102	15	20
Other	711	424	521	296

NATIONAL BANK OF CZECHO-SLOVAKIA.—Million Cz. kr.

ASSETS	Feb. 28, 1938	Jan. 23, 1939	Feb. 23, 1939	Feb. 23, 1939
Gold	2,649	2,360	2,361	2,362
Gold against gold liab.	...	336	336	...
Foreign currencies	528	1,173	1,120	1,106
Discounts and advances	1,606	2,958	2,811	2,788
LIABILITIES				
Bank notes in circulatn.	6,078	6,985	6,776	6,989
Deposits	347	386	665	367

NATIONAL BANK OF DENMARK

Million kroner	Feb. 28, 1938	Dec. 31, 1938	Jan. 31, 1939	Feb. 28, 1939
ASSETS				
Gold coin and bullion	117.8	117.6	117.6	117.6
Foreign bills & balances	88.1	112.2	115.2	120.7
Home bills, securities and loans	229.8	398.9	376.1	371.2
Emergency fund	102.0	58.8	48.7	48.7
Advances to Treasury	3.7	59.5	...	...
LIABILITIES				
Notes in circulation	391.2	441.1	410.1	413.9
Deposits	50.2	141.7	87.4	88.3
Foreign liabilities	3.5	28.2	22.6	19.7

BANK OF ESTONIA

Million Estonian kronas	Feb. 15, 1938	Jan. 15, 1939	Feb. 7, 1939	Feb. 15, 1939
ASSETS				
Gold coin & gold bullion	34.22	34.30	34.31	34.31
Net foreign exchange	16.45	16.63	15.65	15.48
Home bills discounted	10.73	12.61	11.20	10.96
Loans and advances	11.63	11.61	11.96	11.94
LIABILITIES				
Notes in circulation	47.34	49.10	49.09	49.11
Sight dep. and current accounts, of which:	34.53	34.54	33.78	33.84
(a) Government	22.68	19.23	18.34	18.83
(b) Bankers	9.32	12.56	13.06	12.36
Reserve to current liabilities	61.9%	60.9%	60.3%	60.0%

NATIONAL BANK OF ROUMANIA

Million lei	Feb. 1938	Jan. 1939	Feb. 1939	Feb. 1939
ASSETS				
Gold and gold exchange	16,602	18,244	18,293	18,306
Clearing and other for. exchange	2,496	1,381	1,258	1,233
Commercial bills	6,311	10,923	10,499	10,573
Agric. & urban advances	1,977	1,758	1,740	1,743
Treasury bills issued	4,946	4,694	4,695	4,699
State debt and adv. to Treasury	5,607	5,589	5,589	5,589
Secs. and participatns.	1,203	2,175	2,175	2,175
LIABILITIES				
Notes in circulation	30,490	34,066	34,127	33,982
Deposits: Government	10,506	13,979	13,301	13,705
Other sight liabilities	2,675	3,738	3,794	3,872
Long-term liabilities				

BANK OF LATVIA

Million lats	Feb. 28, 1938	Jan. 23, 1939	Feb. 20, 1939	Feb. 27, 1939
ASSETS				
Gold coin and bullion	77.56	87.70	92.75	92.76
Silver coin	13.93	12.59	12.71	12.67
Foreign currency	44.41	40.33	42.73	42.30
Treas. notes and change	7.46	10.84	10.40	10.02
Short-term bills	46.38	46.30	46.06	45.98
Loans against securities	81.21	104.60	105.49	104.70
LIABILITIES				
Notes in circulation	66.49	76.71	77.70	78.67
Deposits & currnt. accts.	121.71	152.28	150.34	149.94
Government accounts	69.68	64.38	70.36	68.91

BANK OF LITHUANIA.—Million litas

ASSETS	Feb. 28, 1938	Jan. 31, 1939	Feb. 15, 1939	Feb. 28, 1939
Gold	79.10	63.55	63.56	63.23
Silver and other coins	13.74	17.20	17.07	16.82
Discounts	98.82	96.99	95.69	95.03
Advances	17.14	20.14	20.51	20.53
LIABILITIES				
Bank notes in circulatn.	118.36	142.66	140.34	142.41
Current accounts	67.28	41.07	48.26	45.97
Deposits	22.94	15.26	10.97	8.00

RESERVE BANK OF NEW ZEALAND

Million N.Z.'s	Feb. 28, 1938	Jan. 30, 1939	Feb. 27, 1939	Feb. 27, 1939
ASSETS				
Gold	2.80	2.80	2.80	2.80
Sterling exchange	17.25	4.13	4.52	4.84
Advances to State	7.27	17.26	19.22	19.67
Investments	2.97	3.63	3.63	3.63
LIABILITIES				
Bank notes	13.77	15.37	14.89	14.91
Deposits: State	7.09	2.62	3.65	4.02
Banks and others	8.27	8.85	10.18	10.25
Reserves to sight liab.	68.8%	25.8%	25.4%	25.8%

NETHERLANDS BANK

Million florins	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
ASSETS				
Gold	145.8	146.1	143.1	141.6
Silver	14.6	27.4	27.0	25.6
Home bills, etc.	8.7	8.1	8.4	7.4
Foreign bills	5.2	3.2	3.2	3.2
LIABILITIES				
Notes in circulation	285.4	300.7	260.8	245.0
Deposits: (a) Govt.	884.0	993.1	991.6	988.3
(b) Other	100.5	176.1	139.9	90.6
Others	802.7	651.5	619.4	639.4

BANK OF POLAND

BANK OF POLAND				
Million zloty				
	Feb. 28, 1938	Feb. 10, 1939	Feb. 20, 1939	Feb. 28, 1939
ASSETS				
Gold	437.1	446.5	446.7	446.8
and balances	26.5	17.1	17.1	16.9
Notes	570.0	727.9	720.2	726.4
Government securities	29.5	94.8	90.0	97.9
discounted	10.4	64.4	63.6	69.6
LIABILITIES				
Capital	126.4	132.8	132.6	132.2

EXCHANGE RATES—cont.

NEW YORK

New York on	Mar. 2, 1939	Mar. 3, 1939	Mar. 4, 1939	Mar. 5, 1939	Mar. 6, 1939	Mar. 7, 1939	Mar. 8, 1939
London:—							
60 days	468 1/2	468 1/2	468 1/2	468 1/2	468 1/2	468 1/2	468 1/2
Cables	468 1/2	468 1/2	468 1/2	468 1/2	468 1/2	468 1/2	468 1/2
Demand	468 1/2	468 1/2	468 1/2	468 1/2	468 1/2	468 1/2	468 1/2
Paris, Fr.	2 65 1/2	2 65 1/2	2 65 1/2	2 65 1/2	2 65 1/2	2 65 1/2	2 65 1/2
Brussels, Bel.	16 82 1/2	16 82 1/2	16 83	16 83	16 82 1/2	16 82 1/2	16 82 1/2
Switzerland, Fr.	22 72 1/2	22 72 1/2	22 72 1/2	22 72 1/2	22 72 1/2	22 72 1/2	22 72 1/2
Italy, Lira	5 26 1/2	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, Mark	40 13 1/2	40 13 1/2	40 14	40 13 1/2	40 13 1/2	40 13 1/2	40 13 1/2
Amsterdam, Guilder	53 14 1/2	53 13	53 12	53 12	53 12	53 12	53 12
Copenhagen, Kr.	20 93	20 93	20 93	20 93	20 93	20 93	20 93
Oslo, Kr.	23 56	23 56	23 56	23 56	23 56	23 56	23 56
Stockholm, Kr.	24 14	24 14	24 14	24 14	24 14	24 14	24 14
Athens, Dr.	0 86 1/2	0 86 1/2	0 86 1/2	0 86 1/2	0 86 1/2	0 86 1/2	0 86 1/2
Montreal, Can. \$	99 635	99 650	99 635	99 650	99 650	99 650	99 650
Yokohama, Yen	27 35	27 35	27 34	27 35	27 35	27 35	27 35
Shanghai, S.	16 00	15 95	15 93	16 00	16 00	16 00	16 00
B. Aires, Peso	29 08	29 08	29 08	29 09	29 10	29 10	29 10
Rio, Milreis	5 90	5 90	5 90	5 90	5 90	5 90	5 90

Usance: T.T.

† Official.

* Including other countries.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended March 9, 1939

	Imports			Exports		
	From	Bullion	Coin	To	Bullion	Coin
GOLD						
British W. Africa	438,290	£	£	Channel Islands	3,917	£
British E. Africa	43,399	£	£	Canada	61,450	£
Soviet Union	2,398,774	£	£	Netherlands	64,424	£
Germany	18,996	£	£	France	1,195	£
Netherlands	109,795	£	£	Switzerland	6,321	£
Switzerland	3,618	£	£	United States	4,626,952	£
Egypt	20,916	£	£	Other countries	239	£
Total*	3,057,781	£	£	Total	4,698,879	£
SILVER						
Eire	4,300	£	£	Canada	6,250	£
British W. Africa	7,460	£	£	Sweden	1,200	£
British E. Africa	8,666	£	£	Denmark	950	£
Belgium	29,245	£	£	Germany	12,380	£
France	44,883	£	£	France	596	£
Portugal	2,908	£	£	Other countries	3,065	£
United States	75,012	£	£	Total	24,441	£
Total*	150,887	£	£	Total	880	£

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance February, 1939	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	Provincial Bank Limited	Westminster Bank Limited	Williams Deacon's Bank Limited	Aggregate
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, bank notes and balances with the Bank of England	42,555	1,711	8,193	3,016	42,253	9,549	63,169	3,148	31,477	33,960	3,684	242,715
Balances with and cheques in course of collection on other banks in Great Britain and Ireland	10,041	665	2,351	1,239	9,679	2,813	11,949	269	7,536	9,589	1,542	57,673
Items in transit	...	...	...	...	3,470	788	...	...	...	...	...	4,258
Money at call and short notice	21,120	1,813	8,503	5,607	23,911	3,667	23,118	3,236	17,658	22,732	6,290	137,655
Bills discounted	54,908	865	4,736	485	38,702	2,601	40,581	1,376	32,131	35,072	489	211,946
Investments	96,922	7,485	29,274	9,933	107,162	32,672	116,548	14,248	81,671	109,210	11,573	616,698
Advances to customers and other accounts	201,659	10,340	31,674	10,457	163,704	46,864	209,270	16,912	138,596	133,414	14,517	977,407
Liabilities of customers for acceptances, endorsements, etc.	15,718	677	9,605	2,797	38,431	7,543	17,555	727	8,449	23,667	1,959	127,128
Bank premises account	7,441	412	1,621	740	7,499	2,775	9,709	601	7,399	5,077	1,041	44,315
Investments in affiliated banks and subsidiary companies	7,003	...	...	...	3,624	...	8,015	...	2,514	2,992	...	24,148
	457,367	23,968	95,957	34,274	438,435	109,272	499,914	40,517	327,431	375,713	41,095	2,443,943
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	2,976	530	9,500	3,550	12,411	1,150	8,500	9,320	900	60,587
Current, deposit and other accounts	415,041	21,291	80,400	29,587	374,687	93,999	454,789	35,789	301,003	333,393	36,361	2,176,340
Acceptances, endorsements, etc.	15,718	677	9,605	2,797	38,431	7,543	17,555	727	8,449	23,667	1,959	127,128
Notes in circulation	...	...	...	...	7	20	...	1,351	...	13	...	1,391
Reduction of bank premises account	...	...	...	300	...	...	...	...	...	...	...	300
	457,367	23,968	95,957	34,274	438,435	109,272	499,914	40,517	327,431	375,713	41,095	2,443,943

OIL OUTPUTS

Anglo-Ecuadorian Oilfields, Ltd.—Output February, 1939, 21,159 tons.

British Burmah Petroleum Company.—Output for February, 1939: 45,873 barrels.

Lobitos Oilfields, Ltd.—Output of Peruvian company, February, 1939, 25,079 tons.

Tampico Oil, Ltd.—The total output from the company's properties in Mexico during February, 1939, was 1,255 barrels, in respect of which the royalty due to Tampico Oil, Ltd., amounted to 94 barrels.

Phoenix Oil and Transport.—The output of crude oil of the Phoenix Group for February, 1939, was 53,463 tons.

British Controlled Oilfields, Ltd.—Total output week ended February 25, 1939, 12,151 barrels. Total output week to March 4, 1939, 12,273 barrels. Total output, February, 1939, 50,673 barrels. Shipments for February, 1939: Western area, 38,500 barrels.

Trinidad Leaseholds, Ltd.—The figures for February, 1939, are as follows: Crude oil production (own fields only), 400,710 barrels. Crude oil purchases (including own share of oil from jointly operated fields), 541,582 barrels.

Kern Oil Company, Ltd.—The total output from the company and its subsidiaries during February, 1939, was 180,011 barrels, or approximately 25,716 tons.

Trinidad Petroleum Development.—Output for week ended February 25, 1939, 53,238 barrels. Output week to March 4, 1939, 55,234 barrels. Output February, 1939, 221,751 barrels. Deliveries February, 1939, including purchased oil, 239,497 barrels.

Venezuelan Oil Concessions, Ltd.—Total output week to February 25, 1939, 1,042,358 barrels. Total output week ended March 4, 1939, 999,500 barrels.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Mar. 5 (£'000)					Aggregate Gross Receipts 9 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
L.M. & S.—	405	494	309	803	1,208	3,505	4,332	2,814	7,146	10,651
1938	401	464	295	759	1,160	3,425	3,827	2,756	6,583	10,008
L. & N.E. (a)—	268	367	278	645	913	2,325	3,069	2,548	5,617	7,942
1938	264	345	259	604	868	2,278	2,655	2,390	5,045	7,323
Great Western—	168	210	125	335	503	1,465	1,776	1,166	2,942	4,407
1938	167	201	121	322	489	1,451	1,635	1,049	2,684	4,135
Southern—	263	57	36	93	356	2,341	530	346	876	3,217
1938	268	60	37	97	365	2,336	492	337	829	3,165
Total—	1,104	1,128	748	1,876	2,880	9,636	9,707	6,874	16,581	26,217
1938	1,100	1,070	712	1,782	2,862	9,490	8,609	6,532	15,141	24,631

(a) Week ended Mar. 4.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures	£	£	£	£
Gross decrease, first half 1938, over first half 1937	— 780	— 638	— 318	— 105
Gross decrease, second half 1938, over second half 1937	— 2,423	— 1,812	— 926	— 54
Gross decrease, first half 1939, over first half 1938	— 643	— 619	— 272	— 52
Weekly Figures				
Av. weekly decrease, 1st half 1939	— 71.44	— 68.77	— 30.22	— 5.77
Latest week compared with 1938	— 48	— 45	— 14	— 9
Latest week compared with average 1927-30	— 176	— 171	— 62	— 13

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended March 3, 1939 (£'000)			Aggregate Gross Receipts 9 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	1.6	0.5	2.1	14.8	3.9	18.7
1938	1.6	0.5	2.1	14.9	3.8	18.7
Great Northern—	8.4	9.4	17.8	71.9	75.3	147.2
1938	9.0	11.0	20.0	71.7	83.4	155.1
Great Southern—	30.3	41.7	72.0	250.5	373.0	623.5
1938	29.0	41.5	70.5	247.5	361.7	609.2

AMERICAN RAILROADS

Company	January, 1939		Compared with Jan., 1938	
	Gross	Net	Gross	Net
Baltimore and Ohio	11,953,000	1,671,000	+ 1,061,000	+ 1,374,000
New York Central	27,503,000	2,147,000	+ 3,117,000	+ 2,320,000
Pennsylvania Railroad	32,897,000	4,999,000	+ 4,431,000	+ 2,757,000
Southern Pacific	15,767,000	936,000	+ 633,000	+ 1,399,000
Union Pacific	11,914,000	1,344,000	+ 1,333,000	+ 576,000

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														
Dresdner Bank	%	%	...	%	Baldwins	%	%	April 4	%	Lamson Paragon ...	%	%	...	%
Eastern Bank	4 1/2	6	...	5	Beaton (G.)	10	20	...	15	Lawrence (Frederick) ..	7 1/2	10	...	10
Guaranty Tst. (N.Y.)	3	...	April 1	3	Betts & Co.	\$5 1/2	\$10	Mar. 25	\$10	Lewis's Investment ...	...	17 1/2	...	17 1/2
MINING														
Cent. Prov. Man. Ore	\$17 1/2	\$25	...	\$25	Bradleys (Chepstow Pl)	...	5	...	10	Maple and Co.	2 1/2	5	...	7
Great Boulder Prop...	12 1/2	...	Apr. 18	12 1/2	British Gas	4 1/2	7 1/2	...	7 1/2	Maypole Dairy (def.)	...	9	...	7
Naraguta Extended	4 1/2	7 1/2	Apr. 14	20	British Sangamo	15	7	Apr. 1	15	Meadow Dairy	...	5	...	5
Naraguta Karama ...	2 1/2	10	Apr. 14	12 1/2	Brit. Thomson Houst.	15 1/2	22 1/2	...	22 1/2	Midland Elec. Corp.	6 1/2	9	...	9 1/2
South Bukeru	7 1/2	10	Apr. 5	10	Brit. Portland Cement	7 1/2	...	...	7 1/2	Nat. Star Brick	4	6	...	8
St. John Del Rey	\$6 1/4	\$10	Apr. 4	6 1/4	Broome and Wade ...	...	7	...	5	O.K. Bazaars	15	...	Mar. 31	15
Wanderer Consol...	6 1/4	...	Apr. 4	6 1/4	Bruce Peebles	...	7	...	5	Prices Properties	\$10 1/2	12 1/2	...	15
TEA & RUBBER														
Bata Tika Rubber ...	2 1/2	5	Apr. 8	14	Cannell Laird	6 1/2	10	Apr. 4	8 1/2	Radiation	9 3/4	12 1/2	...	15
Cheena Rubber	2 1/2	5	Apr. 27	10	Canning (W.) and Co.	15	20	...	15	Robinson & Cleaver	3	...	...	3
Inc Kenneth Rubber	2 1/2	5	Mar. 30	6	Colvilles	15	22 1/2	...	15	Settle Speakman	10 1/2	15	...	15
Malay Coconut	...	2 1/2	Mar. 30	6	Davis & Timmins ...	15	25	...	30	Spratts Patent	10 1/2	15	...	15
Pullangood Rubber	...	5	...	6	Eastwds Lws Cem...	4	...	Mar. 15	4	Sth. Met. Electric ...	6 1/2	9	...	9
Rambutan Rubber ...	...	4	...	6	Gestetner (D.)	15	...	Apr. 11	15	Tarmac	7	10	...	7 1/2
Yataderia Rubber ...	3 1/2	5	Apr. 6	6	Guest Keen Baldwins	15	...	...	15	Swan Hunter, etc....	8	12	Mar. 24	9
INDUSTRIALS														
Bata Tika Rubber ...	2 1/2	5	Apr. 8	14	Hadfields	15	22 1/2	...	22 1/2	Vestfold Whaling ...	5	...	Mar. 31	5
Cheena Rubber	2 1/2	5	Apr. 27	10	Hillhead Hughes ...	7 1/2	12 1/2	...	12 1/2	Viking Whaling	6 1/2	10	...	10
Inc Kenneth Rubber	2 1/2	5	Mar. 30	6	Home and Colonial...	...	3	...	Nil	Vickers, Ltd.	5	...	Mar. 17	5
Malay Coconut	...	2 1/2	Mar. 30	6	Indestructible Paint ...	17 1/2	25	...	25	Wellworthy Piston ...	6 1/2	...	...	...
Pullangood Rubber	...	5	...	6	Jax Stores	5 1/2	7 1/2	...	7 1/2					
Rambutan Rubber ...	...	4	...	6	Jones and Higgins ...	8 1/2	12	...	12 1/2					
Yataderia Rubber ...	3 1/2	5	Apr. 6	6	Lambert Brothers ...	5	...	April 6	5					

(a) Paid on increased capital.
\$ Free of income tax.

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				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939				Prices, Year 1939</			
-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	-------------------	--	--	--	---------------------	--	--	--

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	
					Dividend		Carried to Reserve, Depreciation, etc.	Net Profit		Dividend	
					Pref. Amount	Ordinary Amount					Rate
Breweries		£	£	£	£	£	%	£	£	£	%
Meux's Brewery	Dec. 31	226,207	142,752	368,959	19,651	67,714	9	53,508	228,086	169,810	11
Canals and Docks											
Milford Docks	Dec. 31	494	6,021	6,515	...	5,519	1	...	996	9,691	1½
Oxford Canal	Dec. 31	3,466	8,882	12,348	...	7,250	8	1,500	3,598	8,054	6
Electric Lighting, etc.											
Clyde Valley Electrical	Dec. 31	140,268	574,798	715,066	58,000	205,512	8	290,241	161,313	518,469	8(v)
Newcastle, etc., Electric ...	Dec. 31	16,781	66,048	82,829	...	30,450	7	36,136	16,243	65,968	7
North Metropolitan Electric	Dec. 31	74,367	902,224	976,591	92,834	319,148	10	488,197	76,412	824,321	10
Gas											
Brighton and Hove.....	Dec. 31	46,360	93,992	140,352	13,000	75,186	7½ & 6½	11,000	41,166	104,507	7½ & 6½
East Surrey	Dec. 31	4,329	18,200	22,529	11,056	8,144	6	...	3,329	17,588	6
Swansea Gas Light	Dec. 31	12,153	37,528	49,681	19,250	18,028	5	...	12,403	32,089	5
Hotel, Restaurants, etc.											
Scott's Restaurant	Dec. 31	27,833	13,359	41,192	5,875	2,787	12.3	1,500	31,030	15,123	12.3
Iron, Coal and Steel											
Bairds and Dalmellington ...	Dec. 31	139,683	304,410	444,093	...	188,962	16	100,000	155,131	304,386	16
Grassmoor Company	Dec. 31	40,360	62,680	103,040	3,480	23,927	10	33,000	42,633	75,403	15
Lancashire Steel	Dec. 31	78,071	582,042	660,113	82,295	175,709	7	320,000	82,109	568,396	7
Settle, Speakman and Co. ...	Dec. 31	16,373	67,217	83,590	...	34,800	12	30,975	17,815	54,225	10
Wigan Coal Corporation.....	Dec. 31	16,946	121,203	138,149	13,537	26,822	2½	81,416	16,374	106,089	Nil
Motor Cycle and Aviation											
Briggs Motor Bodies	Dec. 31	30,764	116,231	146,995	...	50,750	7	55,000	41,245	103,505	7
"Romac" Motor Accessories	Sept. 30	1,036	11,654	12,690	...	7,840	8	4,000	850	12,765	9
Rubber											
Java Plantations	Dec. 31	2,333	4,127	6,460	...	2,915	4.16	2,000	1,545	9,135	9
Jugra Land and Carey.....	Nov. 30	5,429	37,458	42,887	...	28,715	2	10,000	4,172	103,583	6
Rambutan	Dec. 31	2,110	9,028	11,138	...	8,000	4	1,500	1,638	23,420	10
Trolak	Nov. 30	1,308	2,338	3,646	...	2,595	4	551	500	7,850	12
Shops and Stores											
British Home Stores	Dec. 31	11,737	46,055	57,792	20,650	12,234	12½	18,550	6,358	83,162	33½
Jay's, Ltd.	Jan. 31	11,329	Dr. 2,353	8,976	13,750	...	...	Dr. 7,500	2,726	21,845	5
Moore's Stores.....	Jan. 14	12,353	55,340	67,693	13,421	18,375	10½	16,188	19,709	29,542	9
Roberts (J. R.) Stores	Feb. 14	8,201	12,527	20,728	1,000	9,688	12½	...	10,040	15,178	12½
Swan and Edgar	Jan. 31	85,828	103,101	188,929	...	87,500	7	12,308	89,121	124,570	7
Whiteley (William).....	Jan. 31	79,277	37,145	116,422	22,500	(c) 5,145	25	9,500	79,277	83,717	25
Telegraphs & Telephones											
Hall Telephone Accessories	Dec. 31	12,069	48,103	60,172	...	35,078	15	13,000	12,094	40,515	15
Textiles											
Courtaulds, Ltd.....	Dec. 31	296,641	352,265	648,906	290,000	696,000	4	Dr. 621,938	284,844	2,373,892	10½
Trusts											
Caledonian	Jan. 31	37,035	49,230	86,265	20,570	25,814	8	...	39,881	63,700	9
English and Scottish Invstrs.	Jan. 31	14,100	26,090	40,190	16,781	8,950	4	...	14,459	32,574	5
London Border and General	Jan. 31	20,361	58,675	79,036	45,000	12,000	2	...	22,036	66,022	2
London and Clydesdale.....	Feb. 1	26,757	39,947	66,704	16,547	13,237	6	5,000	31,920	44,151	6
Scottish Western	Jan. 31	48,544	67,131	115,675	20,570	41,946	13	...	53,159	85,843	14
Second Edinbg. and Dundee	Jan. 31	18,295	22,242	40,537	14,466	4,822	2½	10,000	11,249	28,831	3
Second Scottish American	Feb. 1	11,735	42,775	54,510	8,700	29,000	20	5,000	11,810	46,535	20
Waterworks											
Southeast Waterworks	Dec. 31	22,066	113,333	135,399	45,634	67,464	(d)	...	22,301	104,704	(d)
Other Companies											
Arnott and Company.....	Jan. 31	12,251	Dr. 1,406	10,845	3,600	5,000	5	...	2,245	10,394	7½
Berry, Wiggins and Co.	Dec. 31	63,507	50,984	114,491	20,825	25,625	10½ & 16.6	...	68,041	45,434	(w)
Booth (James) & Co.	Dec. 31	35,017	145,411	180,428	8,120	54,375	15	55,000	62,933	100,903	20g
Brown Brothers	Jan. 16	84,269	92,066	176,335	12,234	49,372	12½	30,000	84,729	101,632	12½
Buttons Limited	Dec. 31	24,994	17,041	42,035	6,333	13,204	7½	1,000	21,498	28,702	10½
Evans Sons Lescher etc.	Dec. 31	6,510	20,056	26,566	10,518	...	...	5,000	11,048	33,197	Nil
Harrison, Barber and Co.	Dec. 31	1,725	8,398	10,123	...	4,160	4	4,005	1,958	9,612	5
British Portland Cement ...	Dec. 31	218,678	933,101	1,151,779	100,800	450,000	22½	381,007	219,972	905,116	22½
Harding, Tilton & Hartley...	Dec. 31	2,851	37,823	40,674	1,830	22,008	40	13,799	3,037	41,994	37½
Hillhead Hughes	Dec. 31	7,537	34,768	42,305	7,541	10,875	12½	16,271	7,618	35,593	12½
Hine, Parker and Co.	Jan. 31	23,160	7,344	30,504	2,500	5,500	5	...	22,504	9,054	6
Hoffmann Manufacturing	Dec. 31	60,869	221,141	282,010	37,500	87,500	17½	100,000	57,010	205,928	15½
Hoover, Ltd.	Dec. 31	20,634	218,515	239,149	24,131	145,000	25	50,000	20,018	238,688	25
Hugon and Company.....	Dec. 31	33,419	52,491	85,910	...	41,647	10	10,000	34,263	85,672	15
Illustrated London News	Nov. 30	5,866	26,403	32,269	16,313	9,176	13½	...	6,780	61,837	53½
Illustrated Newspapers	Nov. 30	19,265	119,237	138,502	71,775	...	...	25,000	41,727	128,438	Nil
International Cold Storage...	Dec. 31	42	7,387	7,429	3,530	3,326	7½	...	573	652	Nil
Lamson Paragon Supply	Jan. 31	60,136	91,695	151,831	36,000	50,020	10	5,000	60,811	100,652	10
Lincoln Wagon, etc.	Feb. 1	19,013	23,729	42,742	3,262	16,095	16	3,800	19,585	27,395	16
Manchester Royal Exchange	Feb. 28	133,039	15,686	148,725	...	23,200	4	...	125,525	23,633	4
Mandleberg (J.) & Co.	Dec. 19	15,986	23,707	39,693	10,512	...	...	10,890	18,291	37,746	Nil
National Gas Engine	Dec. 31	15,600	37,717	53,317	12,000	21,000	3½	...	20,317	70,100	4
Packer (H. J.) & Co.	Dec. 31	...	13,294	13,294	...	...	...	9,741	3,553	Dr. 2,259	Nil
Philco Radio, etc.	Dec. 31	Dr. 65,037	Dr. 253,331	Dr. 318,368	...	...	...	...	Dr. 318,368	Dr. 111,504	Nil
Robinson (Thomas) & Son...	Dec. 31	26,280	27,320	53,600	11,250	11,080	5	...	31,270	31,593	5
Rylands and Sons	Jan. 19	22,493	53,625	76,118	43,500	...	...	...	32,618	112,492	3
Shanks & Co.	Dec. 31	33,377	54,538	87,915	4,664	29,000	10	10,000	44,251	75,312	12½
Switzer and Company	Jan. 31	9,300	4,940	14,240	1,500	2,000	2	1,500	9,240	6,292	3
Telegraph Construction, etc.	Dec. 31	31,867	62,923	94,790	...	37,350	10	25,000	32,440	62,729	10
Total Profits, 1939, in £'000's :	No. of Cos.										
To March 4	364	16,981	47,981	64,962	7,943	30,908	...	8,261	17,580	50,797	...
To March 11	430	19,506	54,382	73,888	9,262	34,382	...	9,999	20,245	59,653	...

† Free of income tax. (c) Balance of this dividend to be paid by the guarantors. (d) Full statutory dividend. (g) Absorbed £60,000. (v) Absorbed £168,000. (w) 10½ and 16.6 per cent.

Industry and Trade

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended		January	
	Feb. 18, 1939	Feb. 25, 1939	1938	1939
Northumberland	301.9	291.1	1,163.8	1,148.6
Durham	676.0	662.7	2,775.9	2,640.5
Yorkshire	941.0	961.3	4,034.2	3,975.6
Lancs, Cheshire and N. Wales	370.4	362.6	1,478.8	1,501.2
Derby, Notts & Leicester	729.2	733.4	3,246.3	2,235.3
Staffs, Worcs, Salop and Warwick	424.2	423.7	1,808.8	1,849.8
South Wales & Monmouth	713.3	722.8	3,329.5	3,014.1
Other English districts*	116.4	120.7	491.6	469.6
Scotland	644.7	634.1	2,503.3	2,522.4
Total	4,917.1	4,912.4	20,832.2	20,357.1

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton				
Raw Cotton delivered to Spinners ('000 bales)				
Variety	Week ended		Total Deliveries	
	Feb. 25, 1939	Mar. 3, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	21.4	21.0	796	615
Brazilian	6.9	5.1	198	169
Peruvian, etc.	2.7	2.7	80	66
Egyptian	8.1	8.2	216	183
Sudan Sakel	2.4	1.6	98	86
East Indian	7.8	10.3	196	222
Other countries	2.4	3.3	115	98
Total	51.7	52.5	1,699	1,439

Metals				
SALES ON LONDON METAL EXCHANGE				
	Week ending		From Jan. 1 to Mar. 8, 1939	
	Mar. 1, 1939	Mar. 8, 1939		
Copper	6,650	6,050	59,300	
Tin	1,205	1,250	13,150	
Lead	7,450	8,050	56,800	
Spelter	3,475	5,975	35,520	

U.K. STOCKS	
-------------	--

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				SUGAR (per cwt.)—cont.			
Mar. 1, 1939				Mar. 1, 1939			
Wheat, etc.—				Cubes			
No. 2, N. Man. 496 lb.	27 9	27 6	27 6	23 9	23 10 1/2	23 10 1/2	23 10 1/2
Eng. Gaz. av., per cwt.	4 3	4 2	4 2	Crushed	22 0	22 1 1/2	22 1 1/2
Liv. Mar., per cental	4 5	4 4	4 4	Granulated	19 10 1/2	20 0	20 0
Rice, per 280 lb.—				Home Grown	19 9	19 10 1/2	19 10 1/2
Straights, d/d London	23 0	23 0	23 0	TEA* (Auction Average) (per lb.)			
Manitoba, ex store	21 9	21 9	21 9	N. India	12 97	12 99	12 99
Harley, Eng. Gaz., av. per cwt.	7 5	7 6	7 6	S. India	13 96	14 08	14 08
Oats	6 3	6 3	6 3	Ceylon	15 08	15 20	15 20
Maize, La Plata, landed, 480 lb.	28 0	28 0	28 0	Java	12 49	12 16	12 16
Rice, No. 2 Burma, per cwt.	7 3	7 4 1/2	7 4 1/2	Sumatra	10 62	10 55	10 55
MEAT—				Africa	11 19	11 03	11 03
Beef, per 8 lbs.—				Total	13 45	13 67	13 67
English long sides	4 4	4 4	4 4	TOBACCO (per lb.)—			
Argentine chilled hides	4 10	4 10	4 10	Virginia stemmed and un-	0 8	0 8	0 8
Mutton, per 8 lb.—				stemmed, common to fine	2 6	2 6	2 6
English wethers	4 8	5 0	5 0	Rhodesian stemmed and un-	1 10	1 10	1 10
N.Z. frozen wethers	3 4	3 4	3 4	stemmed	0 7	0 7	0 7
Lamb, per 8 lb.—				Nyasaland stemmed and un-	1 4	1 4	1 4
N.Z. frozen	4 8	4 8	4 8	stemmed	0 4	0 4	0 4
Pork, English, per 8 lb.	6 10	6 10	6 10	Best Indian	1 0	1 0	1 0
BACON (per cwt.)—				Unstemmed	1 2	1 2	1 2
English	100 0	100 0	100 0	TEXTILES			
Danish	96 0	96 0	96 0	COTTON (per lb.)—			
Dutch	93 0	93 0	93 0	Raw, Mid-American	5 29	5 35	5 35
Irish	102 0	102 0	102 0	" Sakellaridis, F.G.I.	7 19	7 20	7 20
HAMS (per cwt.)—				" Giza, F.G.I.	7 19	7 20	7 20
Canadian	94 0	94 0	94 0	Yarns	10	10 1/2	10 1/2
United States	90 0	90 0	90 0	40's Twist	17 1/4	17 1/2	17 1/2
OTHER FOODS				60's Twist (Egyptian)	17 1/4	17 1/2	17 1/2
BUTTER (per cwt.)—				Cloth, 32 in. Printers, 116 yds.	16 4	16 6	16 6
Australian	114 0	115 0	115 0	16 x 16, 32's & 50's	22 9	23 0	23 0
New Zealand	117 0	118 0	118 0	36 in. Shirtings, 73 yds.	9 7	9 8	9 8
Danish	144 0	144 0	144 0	19 x 19, 32's & 40's	8 8	8 9	8 9
CHEESE (per cwt.)—				38 in. ditto, 38 yds.	8 8	8 9	8 9
Canadian	72 0	72 0	72 0	39 in. ditto, 37 1/2 yds.	8 8	8 9	8 9
New Zealand	74 0	74 0	74 0	16 x 15, 8 1/4 lb.	8 8	8 9	8 9
English Cheddars	86 0	86 0	86 0	FLAX (per ton)—			
Dutch	53 6	53 0	53 0	Livonian ZK	79 0	78 0	78 0
COCOA (per cwt.)—				Pernau HD	80 0	80 0	80 0
Accra, g.f.	22 0	22 3	22 3	Slanetz Medium, 1st sort	82 0	80 0	80 0
Trinidad	40 0	40 0	40 0	HEMP (per ton)—			
Grenada	36 0	35 0	35 0	Italian PC	70 0	71 0	71 0
COFFEE (per cwt.)—				Manilla, Mar.-May '12	19 0	18 15	18 15
Santos sup. c. & f.	68 0	70 0	70 0	JUTE (per ton)—			
Costa Rica, medium to good	82 0	85 0	85 0	Native 1st mks., c.i.f. H.A.R.B.	23 15 0	23 6 3	23 6 3
Kenya, medium	58 0	58 0	58 0	Mar.-Apr.	25 10 0	25 0 0	25 0 0
EGGS (per 120)—				Dalme, 2 1/2 c.i.f. Dundee	25 10 0	25 0 0	25 0 0
English (15-15 1/2 lb.)	10 9	10 0	10 0	SISAL (per ton)—			
Danish (15 1/2 lb.)	10 9	9 3	9 3	African, Mar.-May	17 0	16 15	16 15
FRUIT—				SILK (per lb.)—			
Oranges, Valencia, 1/2 cuses	16 6	16 0	16 0	Canton	10 0	9 9	9 9
" Brazilian Rio Pera boxes	6 9	7 3	7 3	Japan	10 9	10 3	10 3
" Jaffa boxes	12 9	13 9	13 9	Italian, raw, fr. Milan			
Lemons, Naples boxes	9 0	9 0	9 0	WOOL (per lb.)—			
Sicilian boxes	15 0	14 3	14 3	English, Southdown, greasy	12	12	12
Apples, Amer. (var.) barrels	29 6	28 0	28 0	English, Lincoln hog, washed	11 1/2	11 1/2	11 1/2
Canadian: Nova Scotian (var.) barrels	14 0	14 0	14 0	Queensland, scd. super combg.	22	22	22
Grapes, S. Africa, Bas. A.Lavalle	9 9	7 1	7 1	N.S.W. greasy, super combg.	12 1/2	12 1/2	12 1/2
Grapefruit, S. Africa				N.Z., greasy, half-bred 50-56	11 1/2	12 1/2	12 1/2
" Jamaica	8 9	11 9	11 9	Crossbred 40-44	9 1/2	9 1/2	9 1/2
" Jaffa, Seedless	12 0	13 9	13 9	Tops	26	26	26
" Cyprus, seedless	10 6	12 6	12 6	Merinos 70's average	24 1/2	24 1/2	24 1/2
" Texas (March Seedless)	13 9	13 6	13 6	Crossbred 48's	15 1/2	15 1/2	15 1/2
LARD (per cwt.)—				46's	15	15	15
Irish, finest bladders	50 0	50 0	50 0	MINERALS			
U.S.	42 0	42 0	42 0	COAL (per ton)—			
PEPPER (per lb.)—				Welsh, best Admiralty	19 6	19 6	19 6
Black Lampong (in Bond)	0 2 1/2	0 2 1/2	0 2 1/2	Durham, best gas, f.o.b. Tyne	18 6	18 6	18 6
White Muntok (f.a.q.) (in Bond)	0 3 1/2	0 3 1/2	0 3 1/2	Sheffield, best house, at pits	22 0	22 0	22 0
POTATOES (per cwt.)—				IRON AND STEEL (per ton)—			
English, King Edward, Siltland	5 6	5 9	5 9	Pig, Cleveland No. 3, d/d	99 0	99 0	99 0
SUGAR (per cwt.)—				Bars, Middlesbrough	245 0	245 0	245 0
Centrifugal, 96", prpt. shipm.	6 3	6 3	6 3	Steel rails, heavy	190 0	190 0	190 0
C.L.F. U.K./Cont.				Tinplates	20 3	20 3	20 3
Yellow Crystals	19 7 1/2	19 9	19 9	NON-FERROUS METALS (per ton)—			
* Weeks ended Feb. 23rd. and March 2nd.				Copper	42 6 3	43 6 3	43 6 3
† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.				Standard cash	42 7 6	43 8 9	43 8 9

THE ECONOMIST

Vol. CXXXIV

MARCH 18, 1939

No. 4986

CONTENTS

LEADING ARTICLES

The Agony of the Czechs	549
The Cartelisation of England	551
The L.C.C.'s Jubilee	552
Political Economy in Australia	554

TOPICS OF THE WEEK

Power to Strike	553
Air Raid Precautions	555
Air Progress and Profits	555
Bonus to Brazil	556
The Creditors' Front?	556
Health and Government	556
Britain and Russia	556
The Fighting in Madrid	557
Franco's Blockade	557
British Plan for Palestine	558
Reform in the Indian States	558
Imperial Defence in the Pacific	558
Shipping in the East	558
Jubilee on the Waterside	559
Unemployment Insurance and Agriculture	559

OVERSEAS CORRESPONDENCE

United States; France; Germany; Poland; Sweden; China; Argentina	560
--	-----

LETTERS TO THE EDITOR

The Location of Industry	565
Trading Methods	565

BOOKS AND PUBLICATIONS

India Insistent	566
Shorter Notices	566

THE BUSINESS WORLD

LEADING ARTICLES

Coal Mining and Coal Prices	567
International Nickel Prospects	570

FINANCE AND BANKING

Czech Currency Outlook	571
Gold By Parcel Post	571
North China Currency	572
Commonwealth Bank of Australia	572
MONEY MARKET NOTES	572

INSURANCE NOTES

Refuge Assurance	573
National Provident Institution	573

INVESTMENT

A Blow to Confidence	574
The "House" and Inequitable Taxation	574
Unit Trust Control	574

ELECTRICITY REPORTS

North-Eastern Electric	575
County of London Electric	575

ELECTRICITY REPORTS—cont.

Clyde Valley Electrical Power	576
London Associated Electricity	576
South London Electric	576

COMPANY NOTES

Outlook for Courtaulds	577
Canadian Pacific Reverse	577
Lever Produce Companies	577
Crown Mines	578
The Week's Company Profits	578
Company Meetings of the Week	578
THE STOCK EXCHANGES	578
CAPITAL ISSUES	580
SHORTER COMMENTS	580

INDUSTRY AND TRADE

A Scottish Iron and Steel Merger	581
Fall in Merchant Shipbuilding	581
Cotton Spinners' Price Scheme	581
Polish Coal Exports	581
Overseas Trade in February	582
Overseas Trade in Commodities	582
America's Oil Reserves	582
Sugar Prospects	583
Further Rise in British Prices	583
INDUSTRIAL REPORTS	583
THE COMMODITY MARKETS	588

COMPANY MEETINGS

CURRENT STATISTICS	589
--------------------	-----

The Agony of the Czechs

ONCE again Herr Hitler has demonstrated to an outraged world that he can break his promises more flagrantly and more quickly than any of his predecessors even in the sordid history of Prussian diplomacy. Quite literally overnight an independent State has vanished from the map. What seemed impossible on Tuesday afternoon was an accomplished fact by Wednesday evening. Before the world—before even the Czech people—was aware of what was happening, Bohemia and Moravia were completely overrun and Adolf Hitler himself was sleeping in the Hradcany Castle that towers over Prague. Never has a large State pounced with more brutality on a small one. It is recorded that when the German troops entering Prague met with the jeers, the hisses and the tears of the helpless Czechs, their faces reddened. The ordinary German citizen may well blush for the deeds of his Nazi overlords.

The story of the last few days, in outline, is very quickly told. In its swiftness and the technique employed it bears a very striking resemblance to the invasion of Austria almost exactly a year previously. For some time past the Slovak autonomists, enlisted in the so-called Hlinka Guard and abetted from Vienna, have been getting more and more turbulent, especially in the expression of anti-Semitism. The Slovak Government of Mgr Tiso has winked at these disorders. Last week, the Central Czech-Slovak Government in Prague got wind of Mgr Tiso's intention to declare Slovak independence. This, of course, was

treason against the Republic, and President Hacha was well within his rights and duties in dismissing Mgr Tiso and appointing in his place M. Sidor, a Slovak autonomist and an adherent of the late Father Hlinka, but one who, according to report, realised that Slovakia's best interests would be served within the framework of a partnership with the Czechs.

Germany, however, was as little pleased by any consideration of the Slovaks' real interests as by Herr Schuschnigg's resolve, last year, to consult the opinion of the Austrian people. So, as in Austria a year ago, German policy was forced out into the open. Mgr Tiso was summoned from the monastery to which the legal Government of his country had confined him, to audience with the Fuehrer in Berlin. President Hacha was "recommended" by Berlin to summon the Slovak Parliament, which on Tuesday morning duly proclaimed the independence of Slovakia and, in the same breath, stultified it by placing the country under German patronage.

But Slovakia was only the pawn taken in the opening gambit. It became apparent in the course of Tuesday that Germany aimed at nothing less than the total occupation of all the Czech lands. There were provocative movements among the German Bohemians; "incidents" occurred; and the German Press rediscovered the "Hussite orgies"; of last September. President Hacha went to Berlin to plead with the inexorable Fuehrer, to offer a Customs union, a currency union, a military alliance—anything to avoid the

ultimate humiliation of a military occupation. All was in vain. He was offered the brutal alternative of surrendering his country to Herr Hitler's discretion in return for a vague promise of cultural autonomy (with the Gestapo in the background!) or of having Prague destroyed. He surrendered and invited the Germans in. They had not waited for the invitation; and the Reichswehr was in Prague before breakfast. The army is in control; military governors have been set up; and the secret police are beginning their hideous reckoning with the victims on their black list. All this has happened with incredible speed. As late as Tuesday night the German Foreign Office was, it is reported, declaring to the representatives of the other Powers that no drastic measures were in contemplation. This, in itself, given Herr von Ribbentrop's reputation, should have been a signal that the exact opposite was intended. But even the most hardened believer in von Ribbentrop's habitual mendacity could scarcely have believed that that paragon of German honour would be sleeping in Prague next night.

SALUTE TO BRAVERY

Thus died the Czecho-Slovak Republic. An attempt is being made by some people in England whose sense of decency is entirely overlaid by the fat of smugness to hold that Czecho-Slovakia collapsed from within, that it was a ramshackle State which did not deserve to live. That is untrue. Even under the immense pressure of last autumn there was never any violent discontent in Czecho-Slovakia that was not incited, supported and fostered from without. The Czechs have made mistakes in their twenty years and four months of freedom. But the marvel is that a people with their history and their lack of national opportunities should have shown the energy, the industry, the humanity, the moderation, the liberal democracy, the manly decency—above all, the unexampled fortitude and silent courage—they have shown. Let us salute them. In spirit, every man and woman of them has died at Thermopylae a hundred times over. They will not be forgotten. They will rise again. In the undeclared war that is raging throughout the world, the restoration of Czech independence becomes a primary war aim. Until it has been achieved, the Czechs will lie heavy on the conscience of the world.

It is hardly necessary to say that the German action is a crime, without pretext or redeeming feature, against all that has ever been regarded as international law or morality. It is a flagrant breach of undertakings solemnly and publicly repeated by Herr Hitler less than six months ago. It is in contemptuous disregard of the Munich Agreement. It goes far beyond any mandate that the Fuehrer has ever asked for from the German people. Even Dr Goebbels' coating of hypocritical justification is so nauseatingly thin as to reveal, rather than to conceal, the fact that vice no longer finds it necessary to pay any tribute to virtue. The actions of March 14 and 15, 1939, should give the lie once and for all to those well-meaning, truth-fearing folk who have always proclaimed that there is a limit to Herr Hitler's ambitions, that Germany is anxious to settle down in amity with her fellow-nations, that, when appeased with a few more concessions, the Fuehrer will be found to be an angel of peace. We now know that Nazi Germany is a robber State. There is nothing it will not take if it can. It will be restrained not by any signatures or scruples but only by force as naked and brutal as its own.

And what a painfully revealing light the events of this week shed on British foreign policy! The whole post-Munich episode, from the extraordinary proclamation of "peace in our time" down to the busy fostering by Ministers, only a week ago, of optimistic forecasts of an agreement for arms limitation before long, seems almost unbelievably naïve, amateurish and ill-informed. The Munich Agreement is now revealed in its true colours. So far from being a settlement, it was merely a manoeuvre, by

which Britain and France were persuaded not merely to assent to, but actually to assist in, the first step of a campaign that has now ended in the utter destruction of the State our leaders claimed to have "saved." All the brave talk that we had rescued the Czecho-Slovak State from "unlimited invasion and possible destruction" (the words are Sir John Simon's) is now seen to be just so much nonsense, and Great Britain is reduced to the necessity of extricating itself, with more than a little legal sophistry, from a guarantee given less than six months ago. It is difficult to resist the conclusion that the policy of the present Government towards Nazi Germany has been wrong from the start. Over and over again, we have acted on the assumption that if they were given a little rope the Nazis would hang themselves—or alternatively that they would sober down. In fact, they have used each concession, each forbearance, as a stepping-stone to new aggressions. For this reason, if for no other, it is now essential to avoid even the appearance of uncompensated concessions, which will infallibly be interpreted as weakness. This applies to the Anglo-German commercial negotiations fully as much as to diplomatic moves. The visit of Mr Stanley and Mr Hudson to Berlin has been "postponed"; it should have been cancelled. And we must realise that the preliminary agreement that the F.B.I. negotiators are reported to have brought home from Duesseldorf is as worthless as all other German undertakings.

The German move has shattered at a single blow the structure of confidence that has been precariously built up in the last few weeks. Once again the apprehensive question in every mouth is, What next? Germany is greatly strengthened by the seizure of Bohemia. The last return of the National Bank of Czecho-Slovakia showed gold holdings of about £17½ millions and foreign exchange holdings of a further £8 millions. To these must, of course, be added the foreign assets of other institutions and persons. Some of the gold will automatically fall into German hands, as will at least some of the foreign exchange holdings—all of them unless the authorities in London, New York and elsewhere take the obviously justifiable step of impounding them. Most of the British Government credit is still untransferred, and is being retained. But whatever the exact figure may be, it is clear that Germany's desperately depleted coffers will receive substantial support. In the military sphere, the Reich takes possession of equipment for an army of 40 divisions, of a large and efficient air force, and of a very productive armament industry. Many of the economic strains that have been so apparent in Germany since Munich are relieved, and in twenty-four hours Germany more than offsets a year of British re-armament.

THE NEXT STEP

For what are these arms to be used—since it can be taken for granted that they will be used for something? The most obvious answer is that they will be used for the drive to the East. But there are one or two facts which do not entirely square with that intention. Why bother to absorb Bohemia when, for Eastern purposes, it can be more effectively used under a cover of independence? Why alarm the destined victims? Why disappoint Italy once more? Why allow Hungary and Poland to join hands across the only road to the East? Why give Britain and France—and America—the time they need? There are answers to these questions, and they may be satisfactory. But it would be blindness to dismiss the possibility that the absorption of Bohemia and Moravia is not a step to the East but a securing of the rear before a joint Italo-German offensive against the West. The two danger-spots to be watched in the next few weeks are Roumania and Spain. If trouble is made for King Carol, the omens will point eastwards. But if there is an attempt to turn

General Franco's Spanish nationalist government into an Italo-German Fascist regime, the danger will be on our own doorstep. We shall not have to wait very long before we know which it is to be.

In the meantime what can we do? We can, of course, arm, with redoubled speed and with an abandonment of the pretence that the situation is not yet serious enough for war-time measures. But arms alone may be useless without policy. In the House of Commons on Wednesday Mr Eden made an impressive appeal for national unity and agreement on a policy

to examine . . . the new military and strategic position that confronts us in Europe, to consult all those nations who are like-minded with us, wherever they might be, whoever they might be, and of whatever colour, to discuss with those nations what our policy is to be and where we will make our stand and having determined that to make with them at once the military plans to give effect to our decisions.

The Cartelisation of England

THE result of the ballot taken by the Government among the members of the cotton industry on the draft of the proposed Enabling Bill for the industry was recorded in *The Economist* last week. The majorities in favour of the Bill were by no means overwhelming; they testify to the stubborn independence of the Lancashire mind, even after two decades of greater or less depression and almost as many years of discussion. But they are deemed adequate and the Bill is to be introduced into Parliament shortly.

The structure envisaged in the Bill is complicated and specified in a wealth of detail. In broadest outline, it provides machinery by which each of the sections of the industry can evolve schemes either for the removal of redundant plant or for the fixation of minimum prices (but for no other purpose). When approved, these schemes are to have compulsory force. The process of approval, however, is threefold. First, a scheme must be approved at a poll of the section concerned. Secondly, the scheme must be approved by the whole Cotton Industry Board. And finally, the scheme has to be approved by the Board of Trade and not disapproved by Parliament.

The cotton textile industry has had a lamentable post-war history. For this reason, and because cotton is our greatest export trade, the whole country will hope that the remedy on which a majority of the industry has at length agreed will bring it back some prosperity. There are, however, several very important questions of principle in connection with this Bill, and with the similar schemes in force or in contemplation for other industries, which should not go without discussion. An entirely novel form of industrial organisation is creeping upon us unawares. We are witnessing the gradual cartelisation of England.

Until the last decade or so it was the accepted doctrine among virtually all business men and perhaps more than half of the public that the State would intervene in the affairs of specific industries as little as possible. Complete *laissez faire* went by the board decades ago, but until recently the tendency has been, at least among business men, to regard State intervention in industry as perhaps necessary, but if so a necessary evil. As a purely abstract proposition that would still doubtless be maintained. But in practice the attitude has changed. The change dates from the Great Depression and from its economic consequence in Great Britain, the protective tariff. Since 1932 the State has no longer appeared to industry solely in the guise of monitor or policeman; it has had favours to dispense. What is more, in addition to the concealed subsidy of a Customs duty, the State has

Mr Eden is unquestionably right in thinking that it is only on the basis of such a policy that national unity can be achieved. But he is apparently wrong in hoping that the present Government can be recruited for it. Sir John Simon, later in the same day's debate, deliberately and emphatically rejected it. It would lead, he said, to "an extensive, general, undefined commitment, with the result to a large extent that our foreign policy would depend not on this country, this Parliament, and the electors, but on a lot of foreign Governments." The position, then, seems to be this: the Government realise that in time of war they would need allies, with all that alliances imply in commitments and in sharing the responsibility for decisions. But they will not do, to save the peace, what they would certainly do to win the war.

This peculiar attitude amounts to an invitation to the aggressors to destroy us in detail. We dare not assume that the invitation will not be accepted.

begun to hand out specific subsidies in hard cash, from which agriculture has benefited most handsomely, but by no means exclusively. And finally, in addition to tariff protection and cash subsidies, the State has in several cases lent its aid to the creation of legally enforceable determinations of minimum price and maximum output. The result has naturally been to revolutionise the attitude of industry to the State: the policeman has turned Father Christmas.

With this change has gone a similar alteration in the public attitude towards purely private and non-legal monopolies and combinations. We have never in this country followed the American worship of competition to the length of enacting anti-trust legislation. But there has always been a doctrine of the common law against combinations in restraint of trade, reinforced by a general belief that such combinations tend to be anti-social in their effects. The belief has changed and the common law doctrine is in disuse. What is more, the Government, in recent years, far from reprobating the cohesive organisation of industries, has encouraged it. Both steel and coal had almost to be forced to combine. The particular machinery set up under the Import Duties Act makes it virtually obligatory for every industry to have an effective trade organisation. And at this moment industry in general is being exhorted to form tight combinations for export. The price that is not fixed is becoming a rarity, and the businessman's theme-song has changed from Free Private Enterprise to the Self-Government of Industry.

The shift has come gradually and subconsciously. At no point has it been asked whether this new concept of economic organisation is one which the community should welcome. There is one uncompromising school which has no doubt of the answer. "People of the same trade," wrote Adam Smith, "seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices." Professor Smith's recommendation that, in consequence, the members of a trade should not even be encouraged to provide collectively for their poor, their sick, their widows and orphans, would hardly find favour to-day. But it is undeniably true that combinations to fix prices or output do have a strong bias towards the restraint of trade. And it is also undeniably true that, in general, and subject to exceptions, the restraint of trade means the restraint of the community's wealth. To prove this proposition it is not necessary to adduce instances of monopoly exaction. Most price-fixing industries can be acquitted of earning excessive profits. But all of them have a bias in favour of the easy life of high profits on low turnover and against the

strenuous competitive life of low profits on high turnover. Mr Henry Ford, M. Bata, Sir Montague Burton, and Sir Henry Price—none of these would have flourished if the prices of cars, shoes and suits had been fixed.

There is, then, at least a *prima facie* presumption that "combinations in restraint of trade" are contrary to the public interest. To attempt to suppress such combinations as arise by private effort, without special assistance from the State, is to become involved in all the difficulties and complications of "trust-busting" legislation such as continue to plague the United States. The precedent is not encouraging. But when the restraint of trade arises with the assistance and at the urging of the State, the matter is different. The history of the majority of the monopolies created by the State in the past decade is not encouraging. The effects of the cartelisation of the coal industry are discussed elsewhere in this issue of *The Economist*. The edicts of the steel cartel have been very widely criticised. And the price policy of the Milk Marketing Board (to take only the most prominent of the agricultural examples) is a byword. For all the acts of these various bodies admirable justification, usually relating to costs of production, can be pleaded. But the fact remains that, to judge by what we have seen of it to date, the self-government of industry leads to the indefinite postponement of true rationalisation and a strong bias in favour of high prices for the essential raw materials of national industry and national health.

The draft Cotton Industry Bill is chiefly remarkable for the very great care that has been taken to avoid these evils. It will be harder for an anti-social proposal to pass through all the stages of approval than for a camel to pass through the eye of a needle. Those who have drafted the Bill deserve the highest credit for the precautions they have taken. But there is some danger lest, in taking these precautions to see that the Bill does the community no harm, they have not in effect whittled away all its power to do the industry good. What sort of a scheme is it likely to be that will be agreeable to two-thirds of a section of the

industry and will not injure the worker, the exporter, any other section of the industry, any other industry, the consumer or the general interest? It is hardly likely to be a very far-reaching or positive scheme. If in the future the organisation of industries is to be left fundamentally to the industrialists, but there is to be a similar array of elaborate safeguards for the public interest, the net result is likely to be the same as that of political constitutions on the identical theory of checks and balances: a multitude of people empowered to say "No" and no one with the power to say "Yes." The industry will have the initiative, but not the power. The community will have the power without the initiative. And the result is likely to be stagnation.

The argument might seem to be leading to a Socialist conclusion. A Socialist organisation with some dynamic power would, indeed, be preferable to "self-governing" ossification. But the choice is not limited to these two. There are other weapons in the armoury of economic organisation. There is the method adopted in the Great War (and perhaps, in its fullest form, only suited to war conditions) of appointing controllers for those industries that require State intervention, the controller being, in most cases, a business man, but drawn from an industry other than that which he controls. This idea is already embryonically present in the independent chairman of the Steel Federation and the three independent members of the proposed Cotton Industry Board. Or there is the method of the semi-public, semi-private merger exemplified by the London Passenger Transport Board, in which the managers are given the widest powers, but with other objectives to set alongside the profit motive. The examination of these alternatives is too vast a topic for a single article. But the subject deserves open discussion. We must not allow ourselves to slip unwarily into a false solution merely through seeking to find something that is neither the outmoded *laissez faire* nor the distrusted nationalisation. Economic organisation is too vital a matter to be fobbed off with a *pis aller*.

The L.C.C.'s Jubilee

THIS week, the greatest of London's governments, the London County Council, celebrates its golden jubilee. Half a century ago, on the first day of spring, 1889, ten days before the date fixed by Parliament, Lord Rosebery and the 120 members and aldermen of the first Council hurriedly took over the duties of the former Metropolitan Board of Works, which was about to spend its last days in voting higher salaries and pensions to its employees and approving contracts for capital expenditure running into millions of pounds. From this premature birth, the Council has gone from strength to strength. From "the cavernous and tavernous" Spring Gardens the centre of London's government has moved to the ever-growing County Hall, where next Tuesday H.M. the Queen will open an exhibition of fifty years of municipal progress in the presence of representatives of all London's other governing bodies congregated to do courtesy, if not homage, to the Council.

Fifty years is but a short span in the life of a great city. Yet, from the spring of 1889 through the summer of Progressive rule and the long winter of Municipal Reform to the revival of the past five years, the London County Council has been assisting at the birth of a new metropolis. It is true that, in the County area itself, these years have been, for the most part, years of consolidation, rather than reform. Greater London's population has risen from 5 to 10 millions, but the County's population has actually fallen. Even so, the County now knows new principles and methods of administration. The School Board, the Metropolitan Asylums Board and the boards of guardians have gone. Under central control the founda-

tions have been laid for model municipal school and hospital services. The Council has been transformed from a rather grim quasi-legal and quasi-legislative body, concerned primarily with preventing individuals from unduly harming each other (by controlling weights and measures, places of public entertainment, and nuisances), into an active and versatile provider for young, aged and infirm alike. A symbol of this change is the Council's appointment this year of a woman Chairman—Mrs E. M. Lowe. In 1889 it was ruled out of order even for women members to be elected (and only in 1907 was the sex bar removed).

Just as medicine has become increasingly preventive since Victorian days, so has government. Municipal activities have spread to public parks, to swimming baths, to playing fields, to green belts, to literary institutes and to evening classes. Cottages and flats have been furnished where formerly there were slums; loans have been given to house-purchasers; and, all in all, in London as in other cities, citizens have been provided in recent decades with some at least of the means of living fuller and healthier lives by their local councillors. And these civic outgoings have saved far more in the cost of curing ills than has been spent on the policy of prevention.

In very many ways, the present Council deserves congratulations. During the past five years, a real effort has been made to interest the Londoner in his government. The desire to build a better city has been rekindled. A great housing campaign has set an example for the abatement of slums and the solution of overcrowding—however much percipient critics may cavil at the high cost

and unsuitability of flat-dwellings. London's Green Belt scheme and the decision to town-plan the arbitrarily defined County itself show that a pious start has been made, under admittedly impossible conditions of administrative clash and confusion in Greater London as a whole, to control at least the centre of the amorphous and sprawling mass of London and its suburbs. But the limitations of London government, of the County's area and of the Council's powers were never more evident than in these years of struggle to achieve real progress.

Two years ago, in its Coronation-time London Supplement, *The Economist* dwelt at length on "the anomaly of London government," on "the chaos of areas, chaos of franchises, chaos of authorities and chaos of rates" to be found there. In the early years which followed 1889, reforming zeal vented itself in frequent efforts to rationalise the multitude of London's governing authorities. Each and all were straightway killed by the jealous opposition of Parliament and the City Corporation. The host of authorities that to-day stretch out from the County's boundaries to the fringes of monstrous Greater London itself still stand in the way. The sceptic may well wonder whether London in these fifty years has not progressed in spite of rather than because of its governments.

Their various representatives who will gather in friendly fashion next week at County Hall fight each other with vigour over any and every Parliamentary committee table. They should look back not fifty years but eighty-four to *The Times* of March 20th, 1855:—

We may really say that there is no such place as London at all, the huge city passing under that title being rent into an infinity of divisions, districts and areas. . . . Within the metropolitan limits, the local administration is carried on by no fewer than 300 different bodies, deriving power from 250 different local acts, independent of general acts.

Can London's governors put their hands on their hearts and claim that very great progress has been made since the time of the Crimean War?

Dr Robson, whose reputation as an expert on administrative subjects needs no elaboration, has made a thorough study of this very problem. Appositely a notable book from his pen has just appeared,* pointing out that every year increases the need and redoubles the difficulties of reform. Dr Robson has taken the bull by the horns: he suggests the creation of a Greater London Regional Authority to rule over an area 20 times that of the present county and to be responsible for all but minor and strictly local services. He is only too well aware of the obstacles in the way. It is with some bitterness that he says that

the tacit assumption of unalterable boundaries is making peaceful change almost as difficult in Surrey and Kent as it is between sovereign states. Municipal vested interests are defended with a passion every whit as strong as those which defend private property.

Possibly Dr Robson's bold scheme is too ambitious; maybe it rates too highly the ability of local government officers to organise and administer so large an area effectively. But London cannot continue to live and work with innumerable unco-ordinated authorities and *ad hoc* boards: one plans London's transport and another sanctions houses in an area to which a third finds it economically impossible to take water; the provision of the essential services of living and travelling does not march as one; and the consequence is congestion, ill-health and weary days.

How is reform to be brought about? One thing is sure: it cannot be done by party politics. As Mr Sidney Webb said in 1899, "London's municipal interests are far too important to be made the shuttlecock of imperial parties." And to-day reform is written in the pattern of inescapable facts. Nothing is more easy than to pigeon-hole plans of re-

form. What Dr Robson's shrewd analysis has just done for London, was done for the Tyneside by a Royal Commission in 1937, which reported wholeheartedly in favour of the institution of a Tyneside Regional Council and the abolition or diminution of the smaller authorities. Nothing has been done there either. But civil defence everywhere is inevitably being given a regional structure, and every expert review of town-planning problems has called for regionalism. The areas and financial resources of local authorities are wholly inadequate for efficient government.

Possibly the greatest achievement of the London County Council in recent years has been the interest which it has aroused in government among Londoners. The Londoner's local patriotism tends to be lost in a maze of authorities; it is divided between County Hall, the Guildhall and the various lavish town halls springing up in every metropolitan borough; and Londoners have always seemed to want only the minimum of government. Real government only came into being in London when the need for paved streets and clean drainage became imperative, just as the police were reluctantly created to deal with attacks on property. It was hard to be enthusiastic about drains—even though the laying of drains on the Thames foreshore and the necessity of covering them gave London the beauty of the Victoria Embankment.

The fact that London's administration in the past was never reformed until too late was, admittedly, by no means entirely due to the Londoner's apathy. Working against efficient London government, more often than not, there has been Parliament, jealous of its powers and privileges: there have been vested interests, too. Thus it was that past reforms were born in catastrophe, and always belatedly. In 1854, London was swept by cholera. So urgent was the need for drains that the Government turned aside from the Crimean War to accept the private Bill of "Big Ben" Hall to set up the Metropolitan Board of Works. This was the first step forward. But, despite Royal Commissions, Select Committees and Bills, no further reform was undertaken until the corruption of the Metropolitan Board of Works led to an official inquiry that exposed such dishonesty that an elected council for London was hastily and at the last moment spatchcocked on to a Bill relating to country county councils. Thus the L.C.C. itself was the child, not of considered judgment, but of dire emergency.

London has never been given a considered charter; it has never had a thought-out constitution. Its chief area of administration remains to-day practically the same as (in fact, it is slightly smaller than) that hastily improvised in 1855. It is likely that, in the future as in the past, reform will only come in the face of some catastrophe. And that compelling catastrophe may be near. Reform may come as a result perhaps of an aerial bombardment, discovering the fire hoses of one small area unfitted to the hydrants of another, or the good shelters of one district invaded by the scared inhabitants of another in which all defence duties have been neglected. Or the needs of transport and traffic may provide the final imperative. If there is one thing more grave and amazing than that London should need the grandiose and costly Bressey scheme to free its roadways from intolerable chaos and danger, it is that London can apparently take no step to put the scheme into operation.

The celebrations at County Hall may well arouse such a civic pride amongst the great mass of Londoners that they will no longer be satisfied with the present chaos and confusion. They have in the London County Council a body that has conscientiously tried to perform its duties. It is only balked in their better performance by an obsolete area and an outmoded system. In this Jubilee year, it is for Londoners to celebrate, not merely by pomp and circumstance, but by assuming a wholehearted interest in the affairs of the greatest city in the world and by pressing hard for a reform in government as thoroughgoing as that to which New York has lately been subjected.

* The Government and Misgovernment of London. By W. A. Robson. Allen and Unwin. 15s

Political Economy in Australia

THE fissure in the Australian Cabinet over the fate of the National Insurance Act, to which reference was made in *The Economist* last week, has not after all been patched up. Faced, on the one hand, with demands by the Country Party for more favourable (and more expensive) treatment for the rural population and, on the other hand, with the uncomfortable fact that the Budget would not stand any further burden, the Federal Cabinet has compromised by dropping the pensions provisions of the Act and extending the health insurance provisions in accordance with the Country Party's views. Mr Menzies, the Attorney-General, who has deeply committed himself to the support of the existing Act, has resigned. His personality, and the issue that provokes his resignation, virtually ensure that a major political storm will follow.

Fundamentally, the issue is merely the Australian version of the world-wide dilemma of guns *versus* butter. Last year the Commonwealth Budget produced a surplus of £3,500,000, and the States also achieved much better financial results than had been expected, balancing their Budgets in the aggregate even after meeting sinking funds. Federal surpluses, enabling taxes to be remitted, and contrasting with much more difficult fiscal conditions in the States, have been a regular feature of Australian government finance during the recovery period. The current year, however, has seen a significant change. While the States as a group were able to make satisfactory Budget forecasts, the Commonwealth was obliged to impose extra taxes in order to meet the combination of rising expenditure for armaments and other services, with a prospective decline in customs and excise, the main source of federal revenue.

The chairman of the Bank of New South Wales has remarked recently that "higher taxes are far from being the ideal method of raising money when business activity shows signs of slackening." But the Commonwealth Government cannot contemplate a policy of unlimited borrowing, and it has already had certain difficulties in the capital market. In December, 1938, the first block of Australia's huge internal conversion loan, floated at 4 per cent. in 1931 to replace bonds bearing a higher rate of interest, fell due for repayment. This block of £67,600,000 had been largely taken up in 1931 by small holders, who might well fail to be attracted by the offer of a 3½ per cent. re-conversion loan running for 14 to 16 years. The difficulties were increased by the addition of £4,000,000 for defence to the sum to be borrowed. It was therefore gratifying that the whole of the loan should have been subscribed, including £10,400,000 of new money. This result, however, was achieved only through a special subscription of £6,000,000 by the Commonwealth Bank, which (in its chairman's words) was acting in the light of the existing economic position in accordance with its policy as a central bank. This phrase was generally interpreted as meaning that the Bank was anxious to avoid deflationary credit conditions in Australia. The success of the December conversion was not repeated when a further loan of £8,500,000 at 3½ per cent. was raised in February, no less than £3,700,000 being left with the underwriters.

The use of Government loan finance as a means of reflation has become orthodox policy in Australia since 1931, and there are some signs that the latest effort of the kind has had its effect. Bank clearings, after falling off for some months, were 7 per cent. higher in December than they had been in the same month of 1937, and deposits also showed a sharp rise. For some months the Australian economy had seemed to be poised uncertainly between recovery and a continuation of the contraction that marked the middle of the year. While retail sales had spurted to

a high rate in November, motor-car registrations were still substantially lower than they had been twelve months before. The November figure of unemployment among trade unionists was 8.9 per cent., against 8.2 per cent. in November, 1937, but in employment, as in retail trade and in factory turnover, the trend was, and still is, hard to discern. On the whole, the last months of the year were encouraging, notably in the capital goods industries.

In a country like Australia, internal spending power must depend to a large extent on the proceeds of exports. The index of export prices (1927 = 100), which had been 91.8 in 1936-37 (the Australian statistical and fiscal year ends on June 30th) and 82.3 in 1937-38, fell to 65.4 in December, but recovered a little in January. The monthly value of exports has been regularly below the corresponding figure for 1937-38. Drought and bush fires have added to the difficulties of primary producers, though good rains have now fallen both in the pastoral and in the wheat-growing areas. On the basis of export prices at the beginning of the year, it has been estimated that, even if the whole of the abnormal carry-overs of wool and wheat are sold in the current season, exports in 1938-39, including newly-mined gold, are likely to total only £135 millions, £19 millions less than in 1937-38. On the basis of the current flow of imports, it has likewise been estimated that imports will total £125 millions, a decline of £14.6 millions. The realisation of this forecast would give a credit balance of only £10 millions, which would be quite inadequate to meet the cost of Australia's interest payments, since the interest on Government and local authority debt alone amounts to about £27½ millions per annum.

In the past couple of years Australia's balance of payments has been supported by capital importations, including a good deal of capital which left New Zealand before exchange control was imposed, in anticipation of such a measure or of socialistic interference with industry. While there is likely to be a further net credit on this account in 1938-39, some depletion of the banking system's London funds is certainly to be looked for. These funds are still large enough to withstand a substantial drain. In the last resort, if the external accounts were to remain seriously unbalanced, the Australian pound might be further depreciated, as an alternative to the stringent internal deflation that would otherwise be necessary; for of all economic specifics deflation is the most unfashionable as well as the most unpopular in Australia, and the attempt to administer it in large doses might swiftly bring about a reversal of political forces. But the Australian currency is still well defended, and the stability of the exchange is not in question at present. On the other hand, the economic outlook is not so unequivocally favourable that heavy social service commitments can be lightly undertaken. The balance is delicate, and can only be preserved with care.

The stability of the Lyons Ministry is no more firmly established. At the General Election in October, 1937, it won a majority of no more than 16 in a House of 74. This is a small margin for a Coalition Government. Moreover, the Cabinet crisis over health insurance was but a symptom of a lack of solidarity which has been apparent for some time. Disagreement over the issue of compulsory military service has been barely disguised, though this in itself is unlikely to provoke a split in the Government. The reconstruction of last November, brought about by public dissatisfaction with the conduct of re-armament, possibly provoked more dissension than it cured. Mr Lyons' personal character and his popularity with the mass of Australian electors have hitherto sealed the cracks.

It will be highly dangerous for the Coalition Ministry if they reopen; for its strength in relation to Labour has shown some signs of wilting. Labour can hardly be prevented from gaining control of the Commonwealth Senate at the next triennial election, since few of its own senators will be among those obliged to seek re-election; and a relatively small turnover of popular votes would give it a majority in the Lower House also. Labour, however, like the Government coalition, is a house divided against itself. The "industrial" wing, which opposes Mr Lang in New South Wales and often differs from Mr Curtin, the Federal leader, seems to be growing stronger. Labour, too, shares with the Opposition in Great Britain the tactical disadvantage of being unable to oppose the principle of

re-armament, though it criticises the details of the Government's policy.

The political future, therefore, is very nicely balanced. Which way it will swing is likely to depend largely on the course of economic events in the next couple of years. Prosperity might reinforce the shaken prestige of the Lyons-Page Government, but if prices fall and the unemployed increase it may well repeat the fate of the Bruce-Page Government, which was thrown from power at the end of 1929. Mr Curtin would then assume the rôle of Mr Scullin, and Australia would have another Labour Government—but with this difference, that Mr Curtin, unlike Mr Scullin, would not have the handicap of a hostile Senate.

Topics of the Week

Power to Strike.—It was a grim but fitting backcloth that Herr Hitler unfolded for this week's discussions in Parliament on Britain's defence policy when he stole an army and an air force. In both Houses the major theme was this country's power to attack in the event of war. On Tuesday Mr Hore-Belisha's critics returned to their charge that the necessity for a large and fully-equipped expeditionary force to operate on the Continent of Europe in the defence of France, the Low Countries or Scandinavia had not yet been sufficiently realised. Mr Churchill's view that the Government's decision to envisage the use of a Field Force of 19 divisions, with the Territorial units armed similarly to the Regulars, should have been taken much sooner, in view of the altered strategical balance of Europe, evident as long as a year ago, was widely supported. His contention that 19 divisions were not enough and represented only "the first instalment of a bill which was the penalty for our disregard of events in Europe" was soon driven home by the sound of marching Nazi columns. On all sides, the urgent need for the speeding-up of production to furnish the material, arms and equipment still needed for even a small Field Force was underlined; and Lord Chatfield's restatement in the Lords on Wednesday of the Government's thesis that the machinery of a Ministry of Supply should be held in reserve for actual wartime conditions was correspondingly lacking in force. The feeling that, in effect, the war has already begun was never far from the speeches of members and peers. For the most part, however, Lord Chatfield's *début* as Minister for the Co-ordination of Defence was impressive. It was generally expected that his province would be strategy and not supply; and his chief purpose on Wednesday was to reassure the Lords that the plans at present being worked out in detail for the prosecution of a war in no way neglected striking-power for defensive strength. Wars may be lost by inadequate defences, but they can only be won by attack; and it was Lord Chatfield's assurance that Britain's guns would be as strong as her armour. Some doubts were expressed by peers about the Government's recent decision to increase the ratio of fighters to offensive bombers in the air programme, but Lord Chatfield emphasised the speed, range and carrying-power of our latest bombers. His general thesis was the traditional one of naval warfare: the object is to destroy the enemies' fleets wherever they are. The whole co-ordinated design for military and economic warfare, he claimed, envisaged the maximum power to attack. At the end, he left the Lords and the public impressed encouragingly by the fact that, within the limits that the Government have set upon themselves, remarkable progress is being made in defence and arms—and made in the right direction.

Air Raid Precautions.—Next year the taxpayer will foot a bill of only £5,190,707 for A.R.P. and allied services, which is over £4 millions less than in the current financial year. The total bill, however, including borrow-

ings, will be £42,205,907, or well over four times the cost this year, and it is wholly gratifying to be able to record, week by week, progress which suggests that this sum will be well spent. Most—though not quite all—of the major decisions have now been taken under the new and vigorous Anderson regime, and it is largely matters of detailed attention that make up current news. In the last few days, following the successful survey of accommodation and willingness in scheduled billeting areas, the Minister of Health has been in consultation with representatives of local authorities and hospitals in Devon; a provisional scheme for the grouping of London's hospitals for emergency work in the event of war has been made public; the detailed instructions to the London County Council to provide for the evacuation of 1,300,000 persons, chiefly children, are now known; the distribution of backyard steel shelters has gone steadily on; and it is announced that the Government's forthcoming A.R.P. Bill will define the duties of landlords in relation to protection against air attack, a much-needed step. Yet, despite the measures taken and the emergence of a centralised and regionally articulated scheme of organisation, there is much ground still to be covered. It is not yet known whether the Government are going to meet the widespread demand for deep bombproof shelters. It is obvious that the provisional list of billeting and evacuation areas, like the schedule of reserved occupations, is in need of drastic revision. And, most important of all, there is still a shortage of both personnel and material for civil defence. The Government and the population, equally, have leeway to make up in the discharge of their duties.

Air Progress and Profits.—A week ago, in the lull of official optimism about the course of foreign affairs which preceded the storm in Danubia that is still raging, Sir Kingsley Wood introduced estimates for the Air Force in 1939-40, totalling nearly £206 millions, or twice the expenditure in 1933 on all the fighting services together. Doubts about the Government's air programme have been threefold: the organisation of production has in the past been rightly suspect; the speed of output has in consequence been too slow; and there has lately been a vague but widely held view that manufacturers' profits were not sufficiently under control. On all these counts the Air Minister's speech was to a point very reassuring. In the field of organisation the complex pattern of co-operative manufacture has now taken shape; aircraft firms have been formed into groups to concentrate on the production of single types, a *sine qua non* for speedy output; and eleven shadow factories are already in operation. Production has correspondingly leaped ahead: the rate of output is already 150 per cent. above that of last May; and the end of this year, when important organisations not yet at work will have come into production, may see the fourfold increase over that figure officially expected for May, 1940. The ineluctable goal of parity with Germany has not been reached. Now that the Third Reich has absorbed the Czech air-arm its

achievement is still longer delayed. But the lesson that quality is not enough in aircraft manufacture has been learned: it is being allied with quantity; and parity is no longer out of sight. It is because the programme is at last fully under way, after prolonged delays, difficulties and deadlocks, that the third ground of grievance, profits, is now to be tackled. The increased scale of operations, the ever wider-flung network of sub-contracting and the considerable contributions now made from public funds for capital expenditure have outmoded the existing agreement covering aircraft contracts. The industry itself has approached Sir William McLintock, author of the ruling agreement, to revise its terms. The news of this step, though welcome, will not wholly allay doubts. Even in the last few weeks Sir Kingsley himself and other Ministers have contended that undue profits were not being made by aircraft makers, and if the proposed review of the position is to do no more than make the administrative and technical alterations in detail demanded by new modes of organisation and contracting, it will do nothing to abate suspicion. It may, indeed, be that profiteering is wholly absent, though that is scarcely likely; but the Government, if they are not to seem negligently to leave loopholes for those who would batten on national emergency for their own gain, must make very evident to the public their intention of inquiring most searchingly into every item of the aircraft industry's account with the State. The suspicion of profiteering is as morally and politically damaging to the nation's unity as profiteering itself.

Bonus to Brazil.—The way of transgressors is proverbially hard, but, in these latter days, this aphorism does not apply to debtors. The United States Government, naturally eager to combat the advance of Germany in the markets of Brazil, which is pre-eminently an American sphere of economic influence, as well as an incorrigible defaulter on its foreign debts, has stolen a march on Brazil's other creditors, and notably on Britain. Last week it was announced, after discussions in Washington, that Brazil proposed to free her exchange market for trade transactions; that the Brazilian Government intended to facilitate an "equitable return" on American investments in Brazil; and that payments on account of interest and amortisation on Brazil's dollar debt would be resumed on July 1st. As a *quid pro quo* for these helpful gestures Brazil will receive various credits from the United States amounting in all to \$120,000,000, or £24,000,000. Two objects are served by this bargain: Brazil will buy more American goods; and the rise in German sales to Brazil which in 1937 exceeded Brazil's imports from the United States will be stemmed. In 1937, while 23 per cent of Brazil's purchases came from the United States (against 23.9 per cent. from Germany—whose exports passed and then doubled Britain's in two years—and 12 per cent. from the United Kingdom), the United States took as much as 36 per cent. of her exports (against 17.1 per cent. to Germany and 9.1 per cent. to the United Kingdom). There was a heavy export surplus in favour of Brazil. The new agreement will presumably end this state of affairs, as well as benefiting American bondholders. It is to the traders and investors of the United Kingdom that it will do no good.

The Creditors' Front?—There are good grounds in equity for the argument that the method of unilateral concession is no more the way to deal with international debts than it is to deal with military aggression. But it is hardly possible for this argument to be put forward with conviction by the British Government, which has twice taken similar unilateral action at the expense of the United States, once by last year's trade and debt settlement with Germany and again by the series of currency and trade agreements with Argentina. True, the British share of Brazil's trade is greater than the United States' share of trade with Argentina. But the lesson of the latest step by the United States to combat German

economic aggression within the Monroe ambit is not protest by this country but action. At least the American Government has shown that action against German competition on the spot is more likely to achieve results than the British method of discussions in Berlin; and there can be no doubt that there should be room for more British goods in Brazil. A quarter of Brazil's imports represents machinery and vehicles, and over a tenth is iron and steel goods. It is price rather than the manoeuvres of other countries that compels the United Kingdom to leave the bulk of these markets (except that for textile machinery) to the United States, Germany and Belgium. And, moreover, so long as we purchase only a tenth of Brazil's exports, against not far short of a fifth by Germany and over a third by the United States, we cannot expect to make equal headway with these countries in sales. To give credits to defaulters is distasteful, but it has been done before, and by us. If we wish to counter America's move and catch up Germany, it is to Rio rather than to Washington or Berlin that we should turn.

Health and Government.—This week's distressing report of the committee set up two years ago to examine the anti-tuberculosis service in Wales and Monmouthshire is not an indictment of Wales or the Welsh people. It is a terrible indictment of present methods and areas of local government. Tuberculosis is not inherited but acquired; and a vital factor in its prevention is good standards of housing, sanitation, nutrition and education. Social services cost money. The estimated produce of a penny rate over all Wales in 1937 was £44,096; of this the counties of Glamorgan and Monmouthshire, together with four county boroughs, accounted for £29,115, leaving only £14,981 from eleven other counties. A penny rate in Colwyn Bay yielded as much as £804; in fifteen non-county boroughs it brought in less than £100; in one it realised only £12. It was in these poverty-stricken places, rural and urban, that the committee found indescribable conditions of overcrowding; primitive Celtic type cottages; six to ten persons sleeping in a single small room; damp, decrepit, leaky and ramshackle dwellings; and insufficient and polluted water. Indifference and obstructionism march with poor finances. Year after year the reports of medical officers of health are ignored. Seventy-five of the 95 medical officers in boroughs and urban districts, and 51 out of 59 in rural districts, are part-time officials, despite the prescriptions of the 1929 Act, and again and again they dare not criticise the state of properties for fear of losing their only wealthy patients. It is a damning story, which loses little by comparison with the dreadful conditions revealed a hundred years ago by inquiries into the state of early industrial towns; and it differs only in degree from conditions in not a few other poor districts to-day. It is one which calls for a new Edwin Chadwick to translate a startled public conscience into remedial action. "Throughout the inquiry we were conscious of a great disparity between local authorities in the standard of performance of public health duties." The committee found that, in Wales as elsewhere, the powers given to counties under the 1933 Act to review local government areas and to secure amalgamations for administrative and financial strength, had been almost wholly blocked by local jealousies, and the committee's report furnishes only a few of the compelling reasons why this fatal parochialism must be stopped forthwith.

Britain and Russia.—The forthcoming visit to Moscow of Mr R. S. Hudson, Secretary to the Department of Overseas Trade, has been given a fateful significance by the German Fuehrer. The relentless advance of unbridled and cynical aggression in Danubia in the last few days has made clearer than ever the need for the fullest co-operation between Britain, France and Russia. At a single stroke the Third Reich has acquired a new army and a new air force, and it is only in the Russian army, which has been doubled in size in five years, and the vast Soviet

air force that an adequate counterpoise can be found. The fatal weakness of the Western democracies' policy in the face of Herr Hitler's successive *coups* has been the reluctance of their leaders, on class and ideological grounds, to consult and co-operate with the Soviet Union. Indeed, it is not surprising that M. Stalin, in his address last week to the Eighteenth Congress of the All-Union Bolshevik Party, should have denounced the peace-loving States of Europe for doing little to reinforce peace by their actions. The Soviet leader went so far as to accuse France and Britain of being content to let the Nazi fury spend itself on the soil and peoples of Eastern Europe, and ultimately of Russia, in order to buy a sordid security for themselves. The charge may have been over-pitched. It had a propaganda dress. But the facts of the past twelve months offer no evidence to deny that the Western democracies' policy, *faute de mieux*, has been to encourage the *Drang nach Osten*. The possible consequences of such short-sighted seeking for a breathing space are incalculable. It is not simply that Germany's troops have carried the swastika to Prague and beyond. There is the grave chance that the essential Eastern ally, Russia, may be lost. Russo-German co-operation is traditional; it was the corner-stone of Bismarck's policy; and it was to extirpate the desire in the army and the bureaucracy of Soviet Russia itself to return to that tradition that M. Stalin, firm advocate of a common front with the democracies in foreign policy, was lately constrained to conduct wholesale purges.

For the moment, Russia is not yet lost to the West. "We must rely only on ourselves" is as far as the disillusionments of 1938 and 1939 have carried the Soviet leaders; and last week M. Stalin notably restated his determination to strengthen all ties of friendship and business with all countries concerned in safeguarding peace. Mr Hudson is officially visiting Moscow to talk about trade only, and in the purely commercial field the possibility of extending Anglo-Russian exchanges mainly depends upon the Soviet's readiness to abandon the interpretation of trade relations that has recently alienated British business opinion. But in the field of politics, which cannot be far out of sight in the Moscow talks, the onus is upon Britain. Russia is reasonably and avowedly unwilling to stand alone to pull the chestnuts out of the fire that Herr Hitler has set ablaze. Mr Eden's appeal on Wednesday for the British Government "to consult with all nations like-minded to us wherever and whoever they might be" was coldly rejected by Sir John Simon because it might involve Britain in Continental commitments. But, *in posse*, those commitments already exist, created by Herr Hitler himself and made imperative by our own need for eventual security, and the words of M. Maisky, spoken also on Wednesday, cannot be ignored:—

In the last resort the fate of peace or war in our time depends upon the kind of relations which exist between London and Moscow.

The Fighting in Madrid.—The Communist rising in Madrid against the military junta which ousted Dr Negrin and his followers was put down, and internal peace restored, after seven days of street and loophole skirmishing into which must have gone the surcharged bitterness of men who have fought for over two years only to see their worst fears realised. During the first day or so the rising seems to have spread and drawn to its support several thousand men, and it was only after troops had been withdrawn from Madrid's defences that they could be summarily dealt with. With their suppression last week-end disappears the main ideological objection to an early peace; and there is now no body of impassioned opinion to obstruct the clarity of thought with which the National Defence Council, as General Miaja and Colonel Casado term the body they have jointly created, is pursuing its work for the war's "liquidation." Demobilisation is already reported to be in progress. Those who will suffer certain penalty at General Franco's hands now see the full helplessness of their condition; they cannot continue fighting and they cannot escape. Meanwhile General Franco turns a deaf ear to the National Defence Council's broad hints. He wants complete surrender, is troubled by no thoughts of appeasement, and continues to prepare for an assault on Madrid. Although he is known to favour Fabian tactics, which in this case, indeed, may help to demoralise still further those who remain to defend Madrid, it is very understandable that General Franco should be marking time while the Germans are annexing Bohemia and Moravia. "One thing at a time" is a guide for both dictators and for propagandists, for it links a measure of prudence to the maximum of effect. And the fall of Madrid would present a simple means of taking anxious French and British minds off the fate of Central Europe.

Franco's Blockade.—It was announced at Burgos on March 8th that General Franco had declared a complete blockade of the coast of Republican Spain, and that, within Spanish territorial waters off this coast (which were to be reckoned, for this purpose, at the three-mile limit), submarines under General Franco's orders would sink any ship at sight, whatever flag she was flying. This announcement has raised two distinct questions, both of which are vital. First, has General Franco the right to declare a blockade at all? Second, assuming, for the sake of the argument, that he has, are his intentions permissible in international law? To both these questions the answer is in the negative. First, the recognition of the Burgos Government by the French, British and certain other Governments does not carry with it any authorisation to exercise belligerent rights. If belligerent rights automatically followed from recognition, then the Republican Government, which enjoyed world-wide recognition at the time when General Franco rebelled, would have enjoyed belligerent rights throughout. As it is, neither party has been

The New York Trust Company

Capital Funds \$37,500,000

COMPLETE INTERNATIONAL
BANKING FACILITIES

100 BROADWAY, NEW YORK CITY

CABLE ADDRESS: NYTRUSTCO

EUROPEAN REPRESENTATIVE'S OFFICE: 8 KING WILLIAM STREET, LONDON, E.C.4

Member of the Federal Deposit Insurance Corporation

granted belligerent rights so far. On the second point, sinking at sight by submarines is unlawful for any Government in any waters. Hence Lord Halifax's commendably strong and clear declaration of the British Government's attitude in the House of Lords on the 9th. He declared, first, that, if action of any kind were taken outside territorial waters, the British Government would resist it as they had done in the past. They would also regard as a very serious matter the sinking of a British merchantship even within territorial waters, especially if due warnings were not given, and adequate steps were not taken for the safety of the crew. Lord Halifax added that British warships had already been instructed to give all necessary protection to British vessels which might be the object of such attack, and to retaliate, even inside territorial waters, against any submarine taking such indefensible action. No cases of submarine attack have yet been reported. But two British merchantmen on the high seas were on the 11th ordered by a Spanish warship to proceed to Palma, Majorca. One refused, the other was rescued. The British statement, and the British action, have not been popular at Burgos. But no British Government could have taken any other line.

* * *

British Plan for Palestine.—A Cabinet meeting last Wednesday discussed and approved the "British plan" for Palestine which Mr MacDonald and the Colonial Office have been working on for some months past. The plan was next shown to both Arab and Jewish delegations, and, though it has not been formally rejected, there is very little hope of acceptance. If deadlock results, then the Government will override the rejections and will publish the plan next week as a White Paper for passage through Parliament. While reserving judgment on such a controversial matter, the British public may breathe a sigh of relief that the Government has realised that need for a quick decision, even of an imposed solution, which every expert on Palestine from resident officials to Royal Commissions knows to be necessary. If we must impose our will on Palestine, then let us do it resolutely and without loss of time. Once the die is cast, nothing is to be gained by delay. Of the plan itself little can be said; for little is known. Reliable reports describe it as providing for an independent Palestine linked by treaty with Great Britain ("independent" here has a domestic significance), after a transition period of joint administration under British tutelage. The bone of contention, already uncovered, is on the length and limitation of the transition period. To the Jews it is of obviously vital importance, the more so because during that time their immigration is to be restricted to 10,000 or to 15,000 (presumably with a strict watch on land sales); while to the Arabs the length of the transition period will represent a measure of their success. The Jews want the period to last as long as is needed to obtain Arab-Jewish collaboration; but with due sympathy for the urgency of their case this seems impracticable. The Arabs want the period to be limited beforehand; the British Government, it seems, agrees with this principle, and is thinking of five years. In any case, the transition period must be used by the British in Palestine for strenuous efforts to obtain that agreement and mutual respect between Arabs and Jews without which they cannot decently leave the country. Nobody wants to crab the Arab case; but, at the same time, nobody should imagine that our responsibility towards Jews who have gone to Palestine in the confidence of entering what would soon become their National Home, can be shuffled off on the shoulders of an imposed solution.

* * *

Reform in the Indian States.—The interchange of speeches between the Viceroy and the Jam Sahib of Nawanagar in the Chamber of Princes at Delhi reads like the twentieth century talking to the eighteenth, even though it is the conservatism of to-day talking to a moderate Toryism of the day before yesterday. Lord Linlithgow reiterated the policy already expressed by himself and the Secretary of State that it lay with the ruler of each State to decide, without pressure from the Paramount

Power, what constitution was best suited to the needs of his people. But the Viceroy urged very forcibly that all rulers should adapt their administrations to the hearing and remedying of any genuine grievances of their people. An effective machinery whereby all such complaints could readily reach the ears of the Durbar was a necessity in present conditions. The Viceroy attacked absenteeism and excessive appropriations to the ruler's privy purse, and he exhorted the more enlightened and powerful rulers to press the requisite reforms on their weaker and backward brethren, who should, if necessary, amalgamate together for the purpose. The Jam Sahib was plainly suspicious of the Viceroy's utterance. While he declared that the Princes were always ready to consider administrative improvements, he differentiated between these and constitutional changes, especially when the demand for the latter came from outside bodies. He indicated that the Princes, who have before them the final drafts of their instruments of accession, were now concerned less with the details of their membership of the federation than with its general effect on their finances, and still more on their constitutional position and the ability of the Paramount Power to defend it. By their hesitations the Princes could hamstring federation in its present form; but what they fear even more is a federation of British India alone. This and the march of time are the real instruments whereby their reactionary tendencies can be overcome.

* * *

Imperial Defence in the Pacific.—At the request of the New Zealand Government, a conference is to be held in that Dominion in the near future to consider Pacific questions of common concern to Australia, New Zealand and the United Kingdom, particularly questions of defence. The chief civil representative of the United Kingdom will be Sir Harry Battenberg, who has just taken up his position as First High Commissioner for the United Kingdom in New Zealand. Although defence problems come before every Imperial Conference and are frequently discussed informally between the different Governments of the Commonwealth, we have to go back to the Imperial Defence Conference of 1909 for a comparable formal and specialised meeting to discuss defence co-operation within the British Commonwealth. One of the products of that Conference was the Royal Australian Navy. Since then, the nature of the problem has changed. In the first place, the Dominions have consolidated their national independence, and their peoples are now more reluctant than ever to hand over to any other country the peace-time command of any of their defence forces. Secondly, the Japanese alliance, which gave Australia and New Zealand a much higher degree of local security than their own armaments could furnish, has been abandoned. And, thirdly, air power has been added to sea power as a sphere in which the Pacific Dominions can not only do much to protect themselves locally but can also contribute to the wider system of protection on which they depend. Moreover, experience in the war and since has shown the great defensive importance of their industrial capacity as a means of supplying themselves and others with munitions and aircraft. The importance of the coming conference will be political as well as technical.

* * *

Shipping in the East.—It is a cold and depressing light that is being shed upon British shipping from all kinds of sources. The tale of decline in face of intensified competition and subsidised rivalry is not new, and it has been told of nearly every one of the Seven Seas. But the need for redress has grown with increased realisation of the requisites of national defence in war-time, and it is to Eastern waters in particular and the consistent successes of the Japanese mercantile marine that attention has most recently been called. Last week the Imperial Shipping Committee issued a report showing how, by reason of the depreciation of the yen, the relatively low standards of their seamen, the aid given them by State subsidies and the high degree of organisation in their industry, Japanese shippers are able to sweep the Indian and Pacific Oceans. Their costs are from 10 to 15 per cent. lower than their

British rivals, whose share of the carrying trade within the Orient has fallen from one-third to one-fifth. Britain is not the only sufferer, and, indeed, of the long-distance trade to and from the Orient by Suez or round the Cape, the British 50 per cent. share has to date been held. Inside the Orient, the United States, too, has lost; the American share of total carrying trade there has fallen from one-third to as low as one-eighth. It is not subsidies alone that are to blame, for the Americans as well as the Japanese have their State aids, and the Government of the Netherlands Indies, no better placed in many ways than New Zealand, India, Australia and the United Kingdom, has successfully bargained for a fifty-fifty division of the trade between the Netherlands Indies and Japan.

* * *

It is an unfortunate fact, as the Imperial Committee emphasise, that the countries of the British Empire have no common policy, no unity of purpose and no organisation in shipping matters, and, since a quarter of the gross receipts of the British shipping industry, or nearly £33 millions, is drawn from Oriental trades (half of it from trades wholly confined to the Far East), the United Kingdom would be well repaid to remedy these defects. Far Eastern seas are Japan's home waters, and it is only natural that Japanese shipping should have expanded *pari passu* with Japanese trade and industry, which have grown astoundingly. Britain's Oriental trade has fallen away, but Britain is still the world's greatest buyer, and it should not be beyond the wit of the Imperial Government to drive a bargain with Japan for a fair share of the trade with Empire countries. Subsidies come in another category. The need for a stock of vessels against the requirements of war-time provisioning is a powerful argument for subsidies to build and replace ships. The Chamber of Shipping and the Liverpool shipowners have called for a Liner Defence Fund of £5 millions a year for five years. But a *sine qua non* of all subsidies must be efficiency in open competition: building costs are comparatively too high in British yards and running costs too high on British ships; and British steel and coal prices are not blameless. Subsidies, allocated impartially by an independent body, are admittedly now needed, if only to serve as a bargaining instrument in the hands of the Government, which must assume responsibility for negotiation with foreign rivals; but there are houses to be set in order first.

* * *

Jubilee on the Waterside.—It is not only London's county councillors who have a jubilee to celebrate this year. London dockers, and indeed the dockside workers of Merseyside and other ports, also have reason to commemorate the events of fifty years ago. It was in 1889 that the famous strike of the two-year-old Dockers' Union on Thames-side opened a new era in the trade union organisation of unskilled workers; and it was in 1889, too, that the Merseyside dockers' union was formed, to spread soon to Scotland and Ireland. To-day there are 163,000 insured dock workers. They constitute one of the main pillars of the Transport and General Workers' Union, which merged 38 unions into a single federated organisation seventeen years ago and has 650,000 members to-day. This year the dockers hope to celebrate Ben Tillett's successful struggle for the "dockers' tanner" fifty years ago by finally securing the end of the intermittent labour engagements which are still the curse of the waterside. A good deal has already been done to end casual dock labour. During the war a system of registration was begun, and in many ports to-day, notably in Bristol and in the area of the Port of London Authority, employers have a large nucleus of permanently engaged workers in receipt of weekly wages which, for men over 21 years of age, average out at over £3 10s. But a majority of British dockers are still engaged casually by the day or the hour; and, if this week's meeting between Ministry of Labour officials and representatives of the Port Employers' Council succeeds in its object of drawing up a scheme for complete decasualisation that will win the approval of the T.G.W.U., the dock workers' jubilee will be well and worthily marked. The

chief obstacle is the state of trade; as many as a quarter of the insured dockers are out of work; and it is the common experience of all ports that it has been declining foreign trade that has done most to arrest the progress of decasualisation in the past.

* * *

Unemployment Insurance and Agriculture.—This year the Unemployment Insurance Statutory Committee have not recommended any reduction in employers' and workers' contributions or any increase in the benefits given under the general scheme. This year the Unemployment Fund's surplus is £3 millions compared with £21 millions a year ago, and is to be devoted to the redemption of debt. The increase of unemployment last year caused a rise of £18½ millions in expenditure on benefit, and only the long-term upward trend in the numbers of the insured population, together with the extension of insurance to nearly a quarter of a million persons in institutional and outdoor domestic employments prevented a serious fall in total contributions. As it is, however, existing reserves are still adequate to provide for an average rate of unemployment over the trade cycle one-fifth greater than in 1938. The situation is otherwise with the new agricultural scheme. Here, ever since its inception there has been an excess of revenue over expenditure and, even assuming a relatively worse experience over the trade cycle than under the general scheme, the Committee have found themselves in the possession of a surplus of £285,000. This they recommend to be spent on increasing benefits and reducing contributions. The benefit for an unemployed agricultural worker with a wife and three children will now be increased by 3s. to 33s. a week. This compares with an average wage of just under 39s., while an industrial worker with a wife and three children who may earn 55s. 6d. (the average earnings of all insured applicants last year) gets 36s. when unemployed. The agricultural worker who loses his job suffers a smaller reduction in income than his industrial confrère. But, as the report explains, this arises essentially from the relatively low wages paid in agriculture, and no doubt the committee, in making their recommendations, have not been unimpressed by the plea of the Agricultural Departments that the rates of benefit should be increased with the express object of increasing the attractiveness of agricultural work and so checking the drift from the land. New figures, published in the report, show, not merely that agricultural employment is falling, but also that the numbers of farm workers under the age of 21 are declining even more rapidly than the average. It has been a common European experience that the greater security of urban life has been among the most important factors in drawing the landless agricultural worker to the towns. Measures to expand social services in the countryside and so to redress the balance of security are, therefore, wholly to be welcomed.

SUN LIFE ASSURANCE COMPANY OF CANADA

Incorporated in Canada in 1865 as a Limited Company

The largest Company of the
British Empire transacting
Life Assurance solely.

Assets £170,000,000

H. O. Leach (General Manager for British Isles)
Sun of Canada House, Cockspur St., London, S.W.1

Overseas Correspondence

From Our Special Correspondents

United States

Recovery by Spending?

NEW YORK, March 9.—The chief basis for hopefulness about business prospects is not any evidence of recovery but the existence of the spending programme. The theory that the slump of 1937 was caused by the curtailment of deficit spending has been persuasively expounded to a by no means unreceptive public, and many vest their forecasts of recovery in the spring on the cumulative deficit. Nevertheless, just as there are those who rate the deficit as a positive blessing, there are others who regard it as a positive curse. The latter, who are at present an uninfluential minority, call attention to the fact that there has been no market for corporate issues of new capital since deficit financing began late in 1930; that for eight years the State has monopolised the national savings; and that, as long as private enterprise is deprived of access to new capital, it cannot "go ahead," and our economy must become ever more dependent upon subventions. Meanwhile the country is committed to the spending programme.

The following table, taken from the Federal Reserve Bulletin, gives the fiscal position quarter by quarter during the past two calendar years.

EXCESS OF EXPENDITURE (\$000,000)		
	1937	1938
First quarter	-370	-153
Second quarter	-984	-718
Third quarter	-244	-686
Fourth quarter	-310	-890

The excess of expenditure, however, is not identical with what is called technically the "productive deficit," as it includes transfers to a variety of Treasury trust accounts. The following shows actual net cash outgoings:—

EXCESS OF CASH EXPENDITURE (\$000,000)		
	1937	1938
First quarter	-95	+135
Second quarter	-253	-617
Third quarter	+163	-420
Fourth quarter	+13	-703

Note.—Plus means cash income.

This table shows three phases: first, the cash deficit towards the end of the first spending period; second, the period when the Budget was brought into an approximate cash balance; and, third, the launching of the current spending programme.

Debt and the Deficit

The financing of the spending programme cannot be described briefly without slurring important details. For example, the period in which the Budget was nearly brought into balance included the period of increasing public debt for carrying the Inactive Gold Fund; the early period of the current spending programme was also financed indirectly by the monetisation of the inactive gold. Then, too, the activities of various Government agencies—the Social Security Reserve, the Federal reserve banks, etc. (to say nothing of the ebb and flow of the Treasury General Fund)—complicate any description.

Even a statement of the total debt is complicated. For example: on December 31, 1938, the total gross debt was \$39,427 millions, the total interest bearing debt was \$38,899 millions, the total "publicly offered" public debt was \$35,327 millions, and the total described by the Treasury as "market issues available for trading" was \$29,461 millions. In addition, there are the "fully guaranteed obligations of the Federal agencies," amounting to approximately \$5,000 millions.

So far as the financing of the spending programme is concerned, the most representative figures are of the movement of the "issues available for trading" (although the Treasury appears to have developed a market for about \$500 millions a year of United States savings (baby) bonds, which are not negotiable, and not part of the "market").

MARKET ISSUES AVAILABLE FOR TRADING
(\$000,000)

1937		1938	
End of—		End of—	
Dec., 1936 ...	28,154	Mar., 1938 ...	28,609 -197
Mar., 1937 ...	27,977 -177	June, " ...	27,883 -726
June, " ...	28,764 +787	Sept., " ...	28,793 +910
Sept., " ...	28,773 +9	Dec., " ...	29,461 +668
Dec., " ...	28,806 +33		

In the fiscal year ended June, 1938, the public debt in the "market" declined by almost \$900 millions—despite the fact that the excess of expenditure over revenue was \$1,364 millions, and in spite of an increase in the gross debt amounting to \$740 millions. On the other hand, the demands made on the market in the first two quarters of the current fiscal year have rather exceeded the excess of cash expenditure; and the cash in the Treasury's general fund has risen to the unusual, if not unprecedented, figure of \$3,083 millions—which might be subtracted from the various figures of the public debt given above, in order to obtain a net debt.

The important point to remark, however, is that in the fiscal year ended June, 1938, the Treasury not only made no net demands on the market for new capital, but actually redeemed from the market almost \$1,000 millions and that, in the first half of the current fiscal year (June-December, 1938), it has asked for over \$1,500 millions of new capital from the market.

Changing Types of Loan

During the period of the two calendar years, when the public debt in the market was in the aggregate rising about \$1,300 millions, the composition of that debt was undergoing a decided change. The table below, taken from the Federal Reserve Bulletin, is not strictly comparable with the last one, as the "public debt publicly offered" exceeds the issues "available for trading" by the amounts held by the Federal Reserve Banks, etc. It will, however, show in general the changes in the structure of the public debt in the market.

ELEMENTS OF THE PUBLIC DEBT "PUBLICLY OFFERED"
(\$000,000)

	Bonds*	Notes	Bills
End of 1936	19,531	10,289	2,203
" March, 1937	20,015	9,783	2,203
" June "	20,015	10,617	2,303
" Sept. "	20,015	10,575	2,403
" Dec. "	20,555	10,547	1,952
" March, 1938	21,006	10,076	1,803
" June "	21,925	9,147	1,154
" Sept. "	22,791	9,067	1,302
" Dec. "	24,084	8,496	1,306
" June, 1939	12,112	1,626	1,420
" " 1936	17,247	11,381	2,354

* Ex. U.S. Savings Bonds.

From the beginning of the period of deficit financing (June, 1930) until the end of the fiscal year 1936, the principal medium of financing was the three-five year note. Since June, 1936, there has been a continuous tendency to shift from short-term to long-term loans. In the months covered by the table, maturing notes were replaced by bonds; and a great part of the Treasury bills were redeemed by the monetisation of the Inactive Gold Fund. This policy, inaugurated as the Treasury was approaching a balanced Budget (after the bonus payments of mid-1936), has been continued in the financing of the spending programme, which may be dated either from March, 1938, or June, 1938.

The steady reduction of the short-term Treasury paper in the market coincided with a period when, as a consequence of the stock market collapse of 1937, the volume of brokers' loans (relatively not large in 1937) had been cut in half—when there was little commercial paper afloat. The result has been to give short Treasuries a "scarcity value."

In the period June, 1937, to June, 1938, when the Treasury was reducing total market debt, but increasing long-term debt and redeeming short, while all rates fell, the

yields on bills and notes declined much the most rapidly. Between June, 1938, and December, 1938, the market absorbed over \$2,000 millions of long Treasuries without any disturbance of the rate; and, in the same period, it reduced the notes in the market, without producing a decline in the note yield.

In financing the current spending programme, the banks have taken a large part, though complete details will not be available until the Call Report for the year-end is published.

REPORTING MEMBER BANKS AND THE DEFICIT
(\$000,000)

	U.S. Securities		Fully Guaranteed Securities	
	New York City	Outside	New York City	Outside
June 29, 1938	2,885	4,885	678	810
Dec. 23, 1938	2,826	5,440	860	872
	-59	+555	+182	+62

In this period the "market issues available for trading" increased about \$1,600 millions; of these the reporting member banks took about \$500 millions; and we might infer that all banks took approximately half of the total offering.

France

M. Daladier's Choice

PARIS, March 16.—The elections for the Presidency have been fixed for April 5th. The name of the Prime Minister is often put forward for the office, as a man who has worked for peace and internal recovery. But some observers say the party man cannot aim at the Presidency, which is above parties. Moreover, recovery is not completed and the foreign danger is not over. And the fact that most of these informal votes for M. Daladier as President come from the Left is very strange and significant. It would seem the best course for the captain to remain at the helm until the next elections for the Chamber. To change offices now would be dangerous, and M. Lebrun has shown remarkable adroitness during seven years of the greatest internal and external difficulties.

For two years the economic situation was disturbed by the Treasury's difficulties and by the rise in prices which led repeatedly to falls in the franc. Now the franc is backed by the internal efforts of the Government and aided externally by the heaviness of the belga and the florin. Capital is coming back, but it is not coming back into investment. It is staying in the money market and being used to buy Treasury bonds.

Prices tend to show greater stability. The index of wholesale prices was 677 at the end of February, against 676 in January. This stability is principally due to the partially seasonal decline in food prices. Retail prices in February fell from 761 to 755. Between October and January, in recent years, the rise in prices has been: in 1936-37 12.04 per cent., in 1937-38 5.33 per cent., and in 1938-39 only 3.85 per cent. This seems to confirm M. Reynaud's view that it is inflation rather than taxation that leads to increases in prices. This may be modified in the near future by the higher wages and consequent increased purchasing power which will automatically follow an increase in the cost of living, which has so far amounted to 5 per cent. since last August.

Better Foreign Trade

The latest rise in French prices is partially counterbalanced by a rise in foreign prices, so that the competitive advantage is held. However, the results of foreign trade in February, though much better than a year ago, were still far from satisfactory.

(Fr. millions omitted)

	February, 1938	January, 1939	February, 1939
Imports:—			
Foodstuffs	1,126	1,108	1,217
Raw materials	2,543	2,289	2,596
Manufactured goods	617	578	705
Totals	4,287	3,977	4,518
Exports:—			
Foodstuffs	288	423	403
Raw materials	843	829	1,012
Manufactured goods	1,177	1,567	1,620
Totals	2,309	2,819	3,035
Import surplus	1,977	1,157	1,483

The volume and value of total foreign trade and the value of exports of manufactured goods are both on the up-grade. But the import surplus, if lower than in February, 1938—the worst during last year—is higher than in January, which was in turn higher than in December. If trade with the Colonies is excluded, the import surplus in February was only 1,111 millions, against 905 millions in January and 1,435 millions in February, 1938.

Economic activity in Algeria alone was much more satisfactory. The total value of foreign trade increased from 5,500 million francs in 1935 to 6,703 millions in 1936, 8,685 millions in 1937, and about 10,000 millions in 1938. In 1938, imports were valued at 4,660 millions, an increase of 580 millions over 1937, and exports at 5,600 millions, an increase of 1,260 millions. The surplus of exports was 980 million francs. Exports to France rose from 3,500 million francs to 4,660 millions, which was 84 per cent. of the total.

Algeria has now come into the first rank in French trade. It is the best buyer of French products (3,780 million francs) after Belgium (4,180 millions), and it comes before Great Britain (3,351 millions). It is the best seller to France (4,846 millions) after the United States (5,235 millions), and it comes far before Great Britain (3,227 millions).

Recovery in Production

The *Statistique Générale de la France* has again published its index of production after a twelve months' gap. The course of this index was: July, 81; August, 71; September, 80; October, 81; November, 85; December, 86; January 1939, 87. Its average in 1938 was 82, against 88 in 1937 and 85 in 1936. It shows a steady improvement which has brought present production back to the level of January, 1938.

	Jan., 1938	Nov., 1938	Dec., 1938	Jan., 1939
PRODUCTION (1928 = 100)				
General Index	87	85*	86*	87*
I. Mines	89	97	96	94
II. Chemical industries ..	105	103	103	104
III. Paper	166	168	173	164
IV. Textiles	83	86	87	92
V. Leather	69	...	...	...
VI. Iron and steel	83	73	74	75
VII. { Engineering	89	78	81	83
Automobile	88	103	106	106
VIII. Building	58	62	63	65
IX. Gas and electricity	130	124	126	...
X. Miscellaneous	107	107	107	105

* Provisional figure.

Recent price movements have been as follows:—

	Feb., 1938	Dec., 1938	Jan., 1939	Feb., 1939
WHOLESALE PRICES (1914 = 100)				
General Index	613	666	676	676
Domestic products	656	692	705	700
Imported products	538	620	624	633
Foodstuffs	624	648	656	650
Industrial products	605	682	693	699
RETAIL PRICES (1914 = 100)				
General Index	692	754	761	755
Lighting and heating	116.0	127.6	128.0	128.0
Clothing (1930 = 100)	100.0	102	102.0	102.9

The number of bankruptcies in February was 409, against 381 in January and 512 in December.

The NATIONAL BANK of NEW ZEALAND, Limited

Established 1872

Head Office:—8 MOORGATE, E.C.2

Subscribed Capital - £6,000,000

Paid-up Capital - £2,000,000

Reserve Fund - £1,000,000

Currency Reserve - £500,000

The Bank has branches throughout New Zealand and conducts every description of Banking business with that Dominion.

Germany

(This letter was written before the annexation of Czechoslovakia by the German armies had taken place.—Editor.)

The Reich's Trade Demands

BERLIN, March 13.—German pressure to get England to make trade concessions in the joint industrial conversations is growing stronger. Should Great Britain begin a trade war, it is said, she would meet with an opponent prepared for anything. The *Deutsche Allgemeine Zeitung* writes:—

It would be false for the foreign nations to be pleased about Germany's economic difficulties. Rather the manner in which this situation is regarded abroad will show which are the spirits of peace and which the ones who desire the ruin of Europe. Those who argue that it is good that the disturbing Germans have food difficulties and wish to let them stew in their own trouble until they become politically unimportant and ready to sell their rights as a great Power and Kultur nation for a mess of lentils—those who argue thus come in the category of war agitators and destroyers of European order.

Foreign trade is no longer regarded as a commercial question by the Third Reich, but rather as a political one. According to this view, the German Reich has the right to export and import, and intends to win this right by force should the other nations be unwilling to recognise it or make concessions.

German circles are following with particular care the prospective negotiations between Great Britain and the Eastern European States. The trend of trade between the Old Reich itself and the Eastern European States has been as follows:—

(In Rm. millions)					
	1934	1935	1936	1937	1938
Exports to					
Soviet Union.....	63.3	39.3	126.1	117.4	31.8
Poland/Danzig.....	55.1	63.3	73.9	99.7	134.1
Finland.....	43.3	49.2	53.6	78.2	82.4
Estonia.....	7.3	11.4	17.6	19.9	22.0
Latvia.....	18.8	27.9	31.2	28.4	40.8
Lithuania/Memel.....	14.7	6.7	7.4	20.5	23.5
Imports from					
Soviet Union.....	223.0	201.7	93.2	65.1	47.4
Poland/Danzig.....	78.1	75.5	74.0	80.7	109.4
Finland.....	42.3	41.4	46.1	70.1	88.6
Estonia.....	8.2	13.0	13.8	23.7	24.0
Latvia.....	21.1	31.1	33.2	45.7	43.5
Lithuania/Memel.....	15.1	2.6	9.1	17.2	27.6

Trade with Russia and Poland

German-Russian trade relations are of great importance, since Germany must still depend for many years on raw material imports from abroad. Against a decline in imports from Russia last year there was an increase from Rm. 282 millions to Rm. 404.6 millions in the value of imports from the United States. This is especially inconvenient for Germany since the United States must be paid in negotiable foreign exchange, while Russia can be paid in goods.

The decisive factors for the decline in Russo-German trade were: political differences; domestic events in Russia; a change in the orientation of Russian trade policy; the elimination of Russian foreign debts; and the end of the compulsion upon Russia to export; increased English and American competition; and the inability of German manufacturers to make deliveries.

German-Polish trade relations have been revised, following last year's territorial changes. Exchange quotas have been altered; and Germany will import more flax for the Sudeten textile industry, as well as more wood, more pigs, etc. German exports to Poland have, as a matter of fact, declined, so that the quotas had to be scaled down. The credit of 120 million zlotys given by Germany to Poland, however, which is to be used up in the next four years, will lead to an increase in German sales. Repayment by Poland, which is to be in goods, stretches over a period of nine years, although Poland has already delivered 30 million zlotys' worth of rye and timber.

BRITANNIC ASSURANCE COMPANY LIMITED

(Established 1866)

Annual Income - - - - £6,800,000
Assets - - - - - £32,000,000

All classes of Life, Fire, Accident,
Motor and General Insurances transacted

Chief Office: BROAD ST. CORNER, BIRMINGHAM, 1

The South American Market

Germany's position on the South American market is being injured by the British-American trade agreement, by the trade activities of the United States Government, and by political friction. German trade with South and Central American States shows the following trend:—

(In Rm. millions)						
All South America	Imports			Exports		
	1934	1935	1936	1937	1938	1939
1934.....	440.6	558.6	536.5	265.5	390.8	390.8
1935.....	558.6	536.5	508.5	390.8	508.5	508.5
1936.....	536.5	508.5	652.1	508.5	652.1	652.1
1937.....	652.1	809.7	809.7	652.1	809.7	809.7
1938.....	809.7					

	Imports from			Exports to		
	1936	1937	1938	1936	1937	1938
Brazil.....	131.4	186.4	214.4	133.4	177.0	161.4
Argentina.....	188.5	295.1	216.1	97.7	147.1	147.3
Chile.....	58.8	81.1	90.7	49.4	56.5	60.5
Mexico.....	56.4	64.6	62.2	51.1	65.5	45.8
Colombia.....	41.5	45.0	46.6	45.3	33.1	41.3
Uruguay.....	21.0	23.6	38.3	16.7	24.0	35.8
Peru.....	34.0	49.0	30.7	29.0	33.4	30.9
Venezuela.....	14.1	23.7	30.7	24.1	42.7	38.3
Guatemala.....	12.6	14.3	14.5	10.0	13.1	12.6
Cuba.....	7.7	8.5	8.4	11.1	13.4	11.0
Costa Rica.....	6.8	12.5	11.1	6.3	8.4	7.0
Bolivia.....	7.4	11.0	8.3	4.2	5.6	9.4
Ecuador.....	5.2	11.7	9.7	6.8	9.1	7.1
Salvador.....	7.7	9.2	7.4	6.3	7.5	3.3
Dominica.....	2.4	2.5	3.0	1.8	2.2	2.4
Honduras.....	2.3	0.8	2.6	1.6	3.4	2.4
Nicaragua.....	2.6	4.9	3.6	3.5	1.9	1.3
Paraguay.....	2.7	4.5	2.7	1.9	3.2	2.2
Panama.....	0.4	0.4	0.4	7.3	3.8	2.1
Haiti.....	1.0	1.5	0.8	1.0	1.2	0.7

Since, although trade between Germany and South America is run on an equal exchange basis, Germany continually draws more than she delivers, difficulties arise. This was shown by the recent troubles with Brazil, which led to a coffee shortage in Germany. The German market is only of interest to the South American States when the remaining markets, which pay in negotiable currency, are falling-off or inaccessible. Germany, on the other hand, tries to guarantee the continued stability of her trade with South America by long-term contracts.

Poland

Colonial Aspirations

WARSAW, March 11.—Outstanding importance is attached here to the visit, from March 18 to 22, of the British economic mission headed by Mr. R. S. Hudson, Secretary of the Department of Overseas Trade, and to that of Colonel Beck, Polish Foreign Minister, to London early in April. Newspaper comment suggests that, both in the political and economic spheres, these visits will put the official seal on the efforts already in progress to strengthen the ties between Great Britain and the countries of Eastern Europe. Export credits on a substantial scale for Poland are now being discussed, somewhat prematurely, in the Press.

An indication of what is in the official mind was the resolution on "colonies and raw materials" adopted by the National Unity Camp—which has a substantial majority in the Sejm and Senate—after the recent visit to Poland of Count Ciano, the Italian Foreign Minister, and at about the time the visit of Mr. Hudson was announced. The "colonial claims" now enunciated "can be fully satisfied only by obtaining regions over which Poland will exercise sovereignty"; but, the resolution goes on, "this does not exclude the possibility of securing direct access to other colonies." Polish participation in the possession of colonies, it is held, "will contribute to international co-operation and to the general stabilisation of peace." The point, moreover, is emphasised that Poland is not seeking colonies for Jewish emigration. Other territories "must be found" for the Jews, and the resolution concludes with the illuminating paragraph that

in view of the problems awaiting us in the overseas colonies, the development of scientific research is immediately necessary, as well as the systematic training of young people for colonial service.

While there is a widespread belief that events are now moving towards a redistribution of colonial wealth, the expectation is not yet seriously entertained that Poland will be given sovereignty over foreign lands. It is unfortunate that the wide publicity given to such resolutions as the

above encourages a public opinion not well versed in world affairs to hope that a re-making of the map is imminent, and that, in the event, Poland will not only be a direct beneficiary but will be able to unload a large part of her Jewish population (numbering 3,500,000 or more) on the overseas possessions of other countries.

Closer Ties with Britain

Exaggerated hopes in the colonial field need not obliterate the genuine desire, both in official and trade circles, for improving political and economic relations with Great Britain. That the Anglo-Polish Trade Agreement, which came into force in 1935, and the extensive export credit guarantees granted to Poland in the years preceding 1935, have not fulfilled the highest expectations is clear from the following tables:—

IMPORTS INTO POLAND				
Year	From United Kingdom	From Germany and Austria	From United States	Total
(In millions of zlotys)				
1935.....	116.7	165.0	123.1	860.6
1936.....	141.6	187.8	119.3	1,003.4
1937.....	149.2	240.0	149.1	1,254.3
1938.....	147.8	299.6	158.4	1,300.0

EXPORTS FROM POLAND				
Year	To United Kingdom	To Germany and Austria	To United States	Total
(In millions of zlotys)				
1935.....	181.4	199.3	43.3	925.0
1936.....	221.6	204.1	67.3	1,026.2
1937.....	219.2	231.7	100.9	1,195.5
1938.....	215.5	282.2	62.9	1,184.7

Side by side with a strong sentiment for closer ties with Great Britain there is a corresponding reluctance—especially on the part of the Jews who are an important factor in Polish foreign trade—to strengthen Germany's economic hold on the Polish market any further. There need be no hesitation in saying that the strong position which Germany has built up in recent years has been due to the failure of British exporters—and, indeed, of the British Government—to realise that foreign trade methods have undergone a profound change since the advent of National Socialism in Germany.

What Poland buys from Germany she could, for the most part, obtain at better prices from Britain, and buyers here would prefer to trade with Britain. But British industries must be co-operatively organised for export, and suitable arrangements must be made to take Polish exports. The two, indeed, are complementary—Poland importing "capital" goods and exporting agricultural produce. It should not, therefore, be beyond the wit of British exporters and Government Departments to bring about a considerable increase in trade with a country still in the early stage of industrial development, and one which could vastly increase its output of agricultural products by the application of modern methods of cultivation. Poland's "colonial problem," in reality, is a domestic and not an African affair; and its solution should be sought, not in a "colonial understanding" with Germany and Italy, but in a more enlightened and co-operative spirit on the part of Paris and London.

A point that will no doubt be impressed on Mr. Hudson during his talks in Warsaw is that new export credit guarantees must be for a longer term than hitherto. The credits granted prior to 1935 are now maturing, and the strain on the Treasury for the next three or four years will be heavy. The view is now held here that export credit guarantees for industrial development projects should run for not less than ten years. This is Poland's side of the picture.

Sweden

The Core of Unemployment

STOCKHOLM, March 10.—During the last three years, in spite of a boom which has affected practically all branches of business activity, there has been a constant residuum of unemployed workers and employees whom neither trade nor industry has been able to absorb. To investigate the reasons

for this, the Government appointed a special committee which has now published a report. Out of a total of 27,000 unemployed persons, the cases of 24,200 were subjected to individual investigation. Of these, 3,600 were employed in agriculture and forestry, 9,600 in industry, 9,400 in shipping, fisheries, etc., and 1,700 were office employees. Some 9.3 per cent. were aged between 14 and 20, 48 per cent. between 21 and 40, and 42.7 per cent. between 41 and 74. Workers aged between 40 and 45 were predominant, and the bulk of these were workers in the timber industry and office employees. Unemployment was mainly confined to great cities and certain special areas.

Only about one-quarter were persons whose working capacity had been for one reason or another diminished, and it would be a mistake to regard this residuum as unfit for work. In actual fact, there has been a steady movement of individuals into and out of the pool of unemployed, and only a small minority represents real "unemployables." In order to ease the problem of the unemployed residuum, it is proposed to lighten the tax burden in places where there is little or no possibility of establishing new industrial enterprises. The committee also emphasises the importance of settling the question of pensions for aged workers, and advocates more attention to technical education, since unemployment is especially high among unskilled labour.

Employment has been fairly satisfactory, apart from the pool of workless, and the number of registered unemployed in January amounted to 27,500, compared with 21,700 a year before. The building industry shows no signs of slackening off, and as a result demand for low-grade steel and cement has been on the increase. One rather dark feature in the otherwise bright picture is the poor export outlook for the timber, pulp and paper industries.

Anglo-Swedish Trade

Foreign trade figures in January were better than in January, 1938, and exports as well as imports recorded improvement. Figures have now become available for Sweden's foreign trade with the United Kingdom in 1938, and they assume a special interest in view of the forthcoming visit to Stockholm of Mr. Hudson. Swedish exports to the United Kingdom in 1938 were valued at Kr. 447 millions, compared with Kr. 479 millions in 1937. But only Kr. 425 millions represented goods consumed in the United Kingdom, the remaining Kr. 22 millions being re-exported. Pulp and paper exports to the United Kingdom fell from Kr. 142 millions in 1937 to Kr. 136 millions in 1938; iron and steel exports from Kr. 47 millions to Kr. 43 millions; and timber exports from Kr. 135 millions to Kr. 102 millions.

Imports from the United Kingdom in 1938 were valued at Kr. 376 millions, compared with Kr. 403 millions in 1937. Of this total goods produced in the United Kingdom accounted for only Kr. 250 millions, the rest being re-exports. Coal imports were Kr. 75 millions, against Kr. 85 millions in 1937; textile imports from the United Kingdom fell from Kr. 79 millions in 1937 to Kr. 65 millions; but machinery rose from Kr. 24 millions to Kr. 26 millions. There was also a slight rise in imports of British cars. The negotiations which Mr. Hudson is going to conduct will be of a preliminary character and no final decisions about the modification of the Swedish-British trade treaty will be taken.

NATIONAL BANK OF GREECE

Established in 1841

Head Office: Athens

Branches and Agencies throughout Greece

Affiliated Bank:

HELLENIC BANK TRUST COMPANY
139 William Street, NEW YORK

Capital paid up and Reserves Drs. 1,205,000,000

China

War at Deadlock

SHANGHAI, February 25.—One returns from a trip of several weeks through the occupied and unoccupied parts of China with the impression that the Sino-Japanese war has entered a phase of deadlock that may last for a considerable length of time—unless it is broken by the interjection of some outside factor. This deadlock may be summed up in two propositions. The first is that the Chinese, unaided, cannot drive the Japanese out of the main cities, ports and lines of rail and river transportation which they have occupied. There has, I think, been no instance in the war when the Chinese have been able to capture a town that was held by a moderately large Japanese garrison. Any serious large-scale Chinese counter-offensive seems outside the range of reasonable probability, if only because of China's inferiority in aeroplanes and in artillery.

The second proposition is that Japan has little prospect, in the predictable future, of pacifying the regions which have been nominally occupied, much less of subduing the whole of China. At the moment of writing, Chinese Nationalist gunmen have succeeded in picking off Mr Chen Lo, Foreign Minister in the shadowy "Reformed Government" which the Japanese set up at Nanking. He was the fifty-first victim of political assassination in Shanghai since the beginning of the war. And the great majority of these killings were unmistakably carried out by Chinese Nationalists, although Japanese hired gangsters accounted for a few.

One periodically hears the sound of gun-fire, and even of artillery, in the near vicinity of Shanghai and Peking. In this extraordinary war there are no clearly defined fronts with elaborate fortifications and trench systems. But all China, almost up to the doors of the headquarters of the Japanese forces of occupation, is a "front." The Japanese are in occupation of ten Chinese provincial capitals; but they can point to no region under their occupation (with the possible exception of thinly populated Inner Mongolia) where considerable guerrilla forces are not operating more or less effectively against them.

The war, therefore, since the termination of the campaigns which ended in the capture of Canton and Hankow, has tended to turn into a struggle of endurance and attrition. Each side professes to believe that time is on its side. The Japanese hope to disorganise administration, daily life and economic activity in the Nationalist areas by maintaining their grip on the key centres of the country, on the railway lines and the Yangtse River and on the chief ports. The Chinese contend that Japan will be the first to break down; that Japanese expenditure on the war is exceeding China's in the proportion of about five to one; that guerrilla warfare makes the Japanese occupation economically unprofitable; and that the persistent and successful campaign of assassination against Chinese who assume office under the Japanese will give a sort of scarecrow character to the regimes set up in occupied territory.

China's Strength

It seems unlikely that either China or Japan can expect an early ending of the war on its own terms. If China were a highly organised industrial country like Germany or Belgium or Czecho-Slovakia, its fate would have been already sealed. Resistance on any serious scale would have become impossible after the occupation by the enemy of the six largest cities and the most important economic arteries.

But one of China's weaknesses, its very primitive state of economic development, under present conditions becomes a source of strength. The enormous majority of the Chinese people are accustomed to live on local resources for food, clothing and shelter. Thus the loss of key points, while serious enough, is not catastrophic. One finds a rise in prices in the towns of the interior, largely due to the influx of refugees; but there is no acute food shortage; in some places rice is even cheaper than it was before the war began. China is an easy country to defeat, but an extremely difficult country to knock out.

At the same time, it seems doubtful whether China's present tactics of resistance (a combination of elastic defence where the Japanese advance, of guerrilla warfare behind the Japanese lines, of systematic extermination of traitors and of economic boycott of the zones under Japanese occupation) can yield visible results in a short period of time. The military effectiveness of the guerrillas, numerous as they are, is severely limited by inexperience, by lack of explosives, and most of all, perhaps, by the typically Chinese passivity of temperament. And, while the war is certainly very costly for

the Japanese economy as a whole, it is profitable for the Japanese army, which sets up various lucrative monopolies in the occupied regions, and for the army's camp followers. There have been as yet no strikes or riots or other symptoms of mass discontent in Japan.

So the present deadlock may go on indefinitely, unless it is broken by some outside factor. Europe casts long shadows over China. One of the shrewdest analyses of the international situation from the Chinese viewpoint which I have heard was that of Mr T. V. Soong, well-known financier and President of the Bank of China, who said to me:

What is worst for China is the present state of constant alarm and tension in Europe, because this prevents China's natural friends from exerting their normal weight in the Orient. A general war might seem to help Japan at first; but, in the end, the democratic countries would win and China would share in their victory. China would also benefit from real appeasement in Europe. It is the constant threat of war, with its paralysing effect on the Far Eastern policies of Great Britain and France, that is most harmful for China.

Argentina

Poor Trade Prospects

BUENOS AIRES, March 4.—The foreign trade returns for 1938 (compared with the corresponding figures for 1937) were as follows:—

	Exports	Imports (In pesos)	
1937	2,310,997,802	1,557,684,380	Exp. surp. 753,313,422
1938	1,400,294,121	1,460,887,797	Imp. surp. 60,593,676

The value of exports in December was the highest for any month since January, 1938, being 128,497,845 pesos, against 114,397,536 pesos in November and 145,255,887 pesos in December, 1937. Owing, however, to a rush to anticipate the new import restrictions, which came into force in the New Year, there was also a sharp increase in imports in December; these, too, were the highest since January, 1938, being valued at 134,897,489 pesos, compared with only 116,573,469 pesos in November.

The small exports in 1938 were almost entirely due to reduced shipments of cereals and linseed through drought and frost. In 1938 Argentina only exported 2,021,632 tons of wheat, compared with 3,992,577 tons in 1937. The fall in maize shipments was still more pronounced; they only amounted to 2,645,376 tons, against 9,218,715 tons in 1937.

Prospects for 1939 are only moderately good at the best. A bumper wheat harvest is partly offset by low wheat prices due to a world surplus. This season's maize crop is expected to be disappointing, though probably better than last year. The bulk of the maize crop suffered irreparable damage through drought and heat in December and the first four days of January. Private estimates place this season's exportable surplus of maize at around 4 million tons, which is far inferior to the exports of recent years.

Exports in January were disappointing, amounting to only 891,532 tons, valued at 128,622,136 pesos; this was the lowest volume of exports for January in any of the last ten years, while the value was the lowest recorded in January since 1933. Wheat shipments were slightly higher than last year, and maize shipments were very much higher, but owing to the fall in price these two cereals were responsible for a diminution of over 13 million pesos in the total value. Exports of linseed, oats and barley were considerably lower than last year both in volume and value.

Britain's Share Grows

Imports in January, owing to drastic restrictions, showed a big fall compared with last year. They were valued at 117,033,648 pesos, against 145,801,423 pesos in January, 1938. On the other hand, they were higher than in January of any other year since 1931. The January export surplus shows a great improvement; this year it was 11,588,488 pesos; last year it was only 192,545 pesos. The item among imports which shows by far the biggest reduction is textiles, which fell by 33.7 per cent. in value compared with January, 1938; and here Italian and Japanese manufacturers are the chief sufferers. Machinery and vehicles, which are so largely an American line, were down by 25 per cent.

This year Great Britain supplied 19.2 per cent. of total Argentine imports in January, against 18.2 per cent. last year, and the United States' share receded from 19.4 per cent. to 17.9 per cent. It is likely that this trend will be more marked when the February returns are published.

Letters to the Editor

The Location of Industry

TO THE EDITOR OF THE ECONOMIST

SIR,—I read with interest the article in the last number of *The Economist* headed "The Location of Industry," which gave a résumé of the conclusions reached by the Political and Economic Planning Group on this subject.

I note that among the main proposals put forward by this Group are:—

(1) The extension to the whole country of the powers of financial inducement to new industries at present possessed by the Commissioners for the Special Areas and confined to those Areas.

(2) The establishment of a National Planning Commission to put on a wider basis existing town planning powers and aim at the orderly arrangement of the whole country, keeping in view the interests of industry, agriculture and amenity.

The point to which I desire to draw the attention of your readers is that suggestions almost precisely of this type have already been made by the Scottish Economic Committee in its report entitled "Scotland's Industrial Future," which was issued in February of this year. In Chapter III of that report recommendations were made in the following sense:—

(a) It was suggested that a new form of planning authority should be established with a scope extended to Scotland as a whole, with the primary duty of formulating national plans for the future layout and development of the country. It was added that such a body should, in the committee's opinion, be established by statute, and that its functions should no doubt be essentially of an advisory character, though it was thought that its powers and their limitations could only satisfactorily be determined after the Royal Commission on the Geographical Distribution of the Industrial Population had issued its report.

(b) The Economic Committee also suggested that a branch of the proposed planning authority should be created to deal so far as practicable with the question of the location of industry. The committee proposed that this branch of the planning authority should combine within itself the functions of the Commissioners for the Special Areas concerned with the establishment of new industries and the powers of the Special Areas Reconstruction Association to make financial advances in the case of new or struggling industries which have reasonable prospects, but which are unable to obtain accommodation through the normal financial channels.

The foregoing observations constitute an extremely brief summary of the Scottish Economic Committee's proposals, but it is sufficient to show that they are, broadly speaking, in line with the conclusions independently reached by the Political and Economic Planning Group.

Yours faithfully,

WILLIAM GOODCHILD,
Secretary General,

Scottish Economic Committee.

Glasgow.

Trading Methods

TO THE EDITOR OF THE ECONOMIST

SIR,—The question is being asked whether the bold "export or die" policies of the totalitarian countries should be met by the same methods on the part of this country. I should like to stress the following points.

First, the shrinkage of foreign trade in general and the falling away of exports in particular totalitarian countries unmistakably suggests that their commercial systems are not advantageous. Second, trade between countries with a similar economic structure, such as that between highly industrialised countries, is quite different from trade between countries, on the one hand, that are industrialised and countries, on the other, that are producers of raw materials and foodstuffs. It is in this latter kind of trade that the totalitarian countries are especially interested, for their complicated machinery of State control makes it difficult and unremunerative for them to compete in the markets of industrialised countries against manufactures produced there.

Third, business men will continue to prefer free trade to a State-controlled and inconvenient system of barter which

hampers enterprise and considerably cuts down profits. In addition, the consumer under the system of barter probably never gets, either in kind or in quality, what he wants, but has to be satisfied with what the totalitarian Governments are willing to supply.

Finally, credit being the backbone of all export trade, to-day just as much as in the past, this country should not hesitate to make use of its priceless advantages. The fact that it belongs to the so-called Haves is a great asset. It is true that bankers and financiers are at present worried about the political outlook and therefore reluctant to finance even the soundest export business. Nevertheless, the Scandinavian, the Baltic, the South-Eastern European, the Middle Eastern, the Asiatic and the South American countries are to-day by no means less reliable as customers than they were before the war.

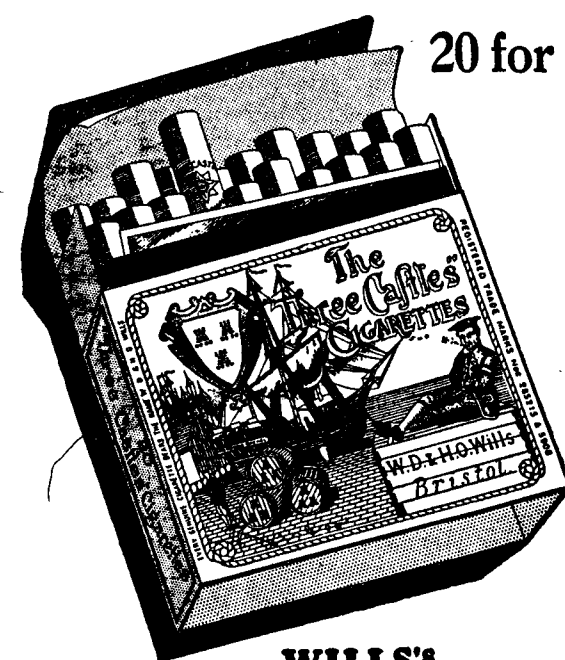
We should, therefore, contemplate adjusting our present trade system to the demands of the day without changing its principles. Neither bilateral discussions between chambers of commerce nor negotiations between trade associations can do very much to get rid of the psychological and political obstacles to economic recovery.

What is wanted is this: British trade associations should try to build up, with the help of the Government, organisations manned by young, active and independent business men, with an intimate knowledge of the economy and public life of the various countries in which markets are sought. The personnel might even be trained in a special institute linked up with Oxford's Nuffield College. Their task would be to study the individual requirements of prospective customers, to make decisions on the spot and to establish social contacts. The risks of foreign trade would thereby be diminished and exporters would be better able to comply with special demands. Only in this way can the volume of this country's trade be appreciably enlarged.

Yours faithfully,

London, N.W.6.

LEON ZEITLIN.



WILLS'S
THREE CASTLES
CIGARETTES

10 for 8^d 15 for 1/- 50 for 3/3^d 100 for 6/4^d

Handmade—20 for 1/6

One expects to pay a little more for a cigarette of such excellent Quality.

Made by The Imperial Tobacco Co. (of Great Britain and Ireland), Ltd.

T.T.1828

Books and Publications

India Insistent

INDIA, on the highroad to responsible government, is being dissected and analysed as never before. "Economic Problems of Modern India"* is a valuable survey by various experts of the changing sub-continent to-day. The volume deals in turn with the land and its population; agriculture, livestock, co-operation and marketing; and transport, tariffs and trade.

Agriculture is India's economic mainstay and land revenue the sheet anchor of Indian finance. The lot of 25 million agricultural labourers and 61 million small tenants or cultivating owners is not enviable. Land has been passing into the hands of non-cultivating owners during the last few decades, and the Indian landlord has become a rent receiver rather than a wealth producer. Landlordism, by and large, has become both "effete and irresponsible," strong words these from Professor Mukerjee who is always scrupulously moderate both in his language and opinions.

This is not, however, an unrelieved tale of poverty. India possesses in her animal husbandry enormous potential wealth, probably greater than the value of any single industry of any other country in the world. Its annual value is conservatively estimated at Rs. 1,300 crores (£975 millions).

The outstanding issues for India's future are ones of policy, and perhaps the most important essay in this volume is that dealing with protection. Protective duties, through higher prices, effect a transfer of wealth from consumers to producers and, in India especially, aggravate the existing inequality of wealth. Yet Professor Dey of Dacca contends that the system of "discriminating" protection administered in India probably represents the best tariff-making practice; and the chapter on the Ottawa Agreement calls for special praise because it raises the subject from the plane of party and political prejudice and examines it simply as a commercial transaction, which in fact it is.

Only the fact that its figures generally stop short at 1935 seriously detracts from the value of this sane and admirable survey.

It is not economists and business men alone who must study India's economy. Gone are the days when the servants of John Company could despise "competition wallahs." For some time past candidates for the Indian Civil Service have been selected by front-door open competition and back-door "nomination by selection." Selected, they are compelled to attend lectures on the broad principles of Indian social economy and policy; and it is these lectures that have been revised and expanded to make a sumptuous and informative volume,† furnished with a glossary of vernacular words, a select bibliography, apt illustrations and an exhaustive index.

The sub-title of this book—an introduction to some social and economic problems of the Indian people—sums up its scope. It supplements Dr Mukerjee's survey by its account of public health, education, industrial labour and rural India. Addressed initially to the young bureaucrat, it includes such choice aphorisms: "Do nothing, by injudicious word or deed, to weaken the 'revenue-paying conscience' of the ryot," and "Don't drive a desperate poverty-stricken peasant to retort, 'You officers on high salaries have a mania for calling other people prosperous'."

The District Officer is, after all, a collector of revenue and the more prosperous the people committed to his charge, the more benefit accrues to the Sirkar. More education, better health service, improved agriculture and the expansion of co-operation are held out as ways to solve the problems of India. But the root trouble is finance. The "immoral" opium revenue has gone. Receipts from excise

duties on drink, second only in size to revenue from land, are doomed to extinction by the advent of prohibition. And the task of finding money for nation-building services, now left to Indian administrators at the helm of provincial affairs, is a hard one.

It is industry that foreshadows a new India. Abundance of raw materials, great resources of power and labour, a vast potential home market for manufactures and pressure of population on the land have accelerated the growth of industry. And students of Indian labour are under a great debt to the I.L.O. for its lucid and topical monograph on "Industrial Labour in India."‡ Mr Harold Butler is able to record that

Conditions prevailing in large-scale industries in India do not compare unfavourably with those in many European countries, and the regulation of working conditions in large factories is perhaps more advanced than in any other Asiatic country.

It is true that the agitation started by Lancashire late last century about conditions in Bombay mills and the tradition of State intervention, which is indispensable in a country like India, have done much to raise up the industrial worker. But, as Dr Rao's full and incisive review of India's new proletariat§ amply shows, the time is none the less ripe for an Indian Shaftesbury.

A keen interest in social questions is now becoming manifest and swelling in India. There is pressure for the introduction of Labour Conventions in British India modified to suit Indian conditions, and for measures to induce Indian States to take equal steps. All who are interested in some five million Indian industrial workers in plantations, factories, mines and transport—their work, wages and welfare—will find this I.L.O. publication with its wealth of statistics indispensable.

Shorter Notices

"Denmark's Day of Doom." By Joachim Joesten. Gollancz. 288 pages. 7s. 6d.

The Third Reich controls Danish foreign policy, dictates special treatment for the German minority in Denmark, holds the country's economy in a stranglehold (drawn the tighter by British tariffs on butter, eggs and bacon): and the day foreseen will come, and that soon, when war in Europe will oblige the Danes to open their frontier to *Panzerdivisionen*, their command of the Baltic approaches to the German navy, and their landing-grounds to the German air force. Such is the theme of this book; plausible, much documented, and highly tendentious. M. Joesten, who would not appear to be Scandinavian by birth, asserts that the Danes have built in South Jutland no land fortifications worth the name; that practically no air-raid precautions exist for the protection of Copenhagen; and that, so long as British trade policy makes Denmark reliant on German markets, the Foreign Office of Herr Peter Munch will not be slow in accepting terms from the Wilhelmstrasse. From being a product of swift-moving circumstance, their pro-Germanism, he says, has become deliberate, so that only by a British push in the other direction can the balance be restored before it is too late. This is a popularly-written book; and should be read with care. Yet the task of saving Denmark from the German dragon (assuming that the Danes would like to be saved, or need to be saved) is unlikely to appeal to Saint George, that knight-errant's favourite weapon being nowadays the umbrella rather than the walking-stick.

"The Right of Property." By Fr. Vinding Kruse. Translated from the Danish. Oxford University Press. 489 pages. 20s.

This is a *magnum opus* which only the really erudite lawyer, philosopher or sociologist could fully appreciate. Yet it maps a territory which the economist, too, must be familiar with; for the law of property is the immutable frame of his studies. Professor Kruse, introducing his remarkable study of the theory and practice of property rights, calls for wider horizons and the sweeping away of "the tightening boundaries between the sciences." In all humility economists would do well to survey this vast field with the holder of the Chair of Law at Copenhagen.

THE BUSINESS WORLD

Coal Mining and Coal Prices

LIKE many other raw material producing industries, coal-mining has suffered seriously from excess capacity since the Great War. In the latter part of the nineteenth century and, indeed, up to the War, the world's demand for coal increased at the rate of about 4 per cent. per annum, and, except during periods of recession, there was no serious disequilibrium between the capacity to produce and to consume coal. Since then, however, the annual rate of growth has slowed down considerably, averaging only 0.7 per cent. between 1913 and 1929 and about twice that rate between 1920 and 1929. In a painstaking survey* of economic and social conditions in the world's coal-mining industry prepared by the International Labour Office, the conclusion was reached that "the lagging of the total consumption of coal behind the other indices of industrial activity since 1913 must be attributed, above all, to fuel economies." (The extent of the progress in the efficiency of coal consumption in this country was discussed on page 396 of *The Economist* of February 25th.) But while the pace of the growth of consumption slackened after the war, the world's capacity to produce coal continued to increase fairly rapidly, partly because of the development of new mines, the more extensive exploitation of lignite resources and the utilisation of the smaller sizes of coal formerly treated as waste, but chiefly as a result of the increased productivity of labour due to the progress of mechanisation in many countries. Indeed, the problem of surplus capacity is in a sense an offspring of scientific progress, reflected in the more economical utilisation of coal, on the one hand, and in the improvement in the methods of extraction, on the other. But the effects of the activities of scientific man have been aggravated by some of the efforts of political man, embodied in such things as territorial changes, reparation payments in kind, large-scale strikes, economic nationalism and a number of other factors. According to estimates made by the Economic Committee of the League of Nations in 1929, the potential production exceeded current demand in 1927-28 by 25 per cent. in Germany, 25-33 per cent. in Britain and about 50 per cent. in Poland.

The consequent intensification of competition both within and between national frontiers increased the pressure on prices which, in turn, tended to depress the standard of living of the coal-miners and the profits of the coal-owners, and led to a demand for national and international regulation of supplies and prices instead of free competition. National control schemes are already in operation in the leading producing countries. Until recently all attempts to regulate the international coal trade had proved fruitless, but the conclusion, at the end of last January, of an agreement between Britain and Germany holds out hope of the formation of a European export cartel.

In the circumstances, there is much to be said for the substitution of an efficient national and international control of supplies and prices for free competition, with its consequences of poor standards of living and low profit margins; but there is always the danger inherent in price control schemes that the creation of a seller's market may lead to a relaxation in the drive for increased efficiency, for past experience has shown that the efforts of industrialists to reduce costs increase with falling, and diminish with increasing, profit margins. In this country, in par-

ticular, whose economy is based on an abundant supply of cheap coal, an undue and permanent rise in prices might well have evil consequences for the whole community.

It has long been held by enlightened observers in this country that Government action to improve the conditions of the coal-miners as well as the earnings of the coal-owners, was desirable, but only on condition that the consequent increase in costs would be offset, as much and as speedily as possible, by a sustained drive to increase the efficiency of the industry by the introduction of modern methods and by the concentration of production on the most efficient units.

The whole drift of post-war legislation has been towards securing both of these desirable ends. The intention of the Mining Industry Act, 1926, was to increase the industry's efficiency by facilitating its reorganisation. The Coal Mines Act, 1930, combined a scheme for securing compulsory amalgamations with a legal framework for the control of the production, supply and sale of coal. The Coal Act, 1938, went a good deal further for, apart from continuing the provisions for the control of production and prices, it set up the Coal Commission, which is to have the dual function of holding the nationalised royalty rights and of attempting to breathe some effective life into the still-born provisions of the 1926 and 1930 Acts for reorganisation and amalgamation. The Commission does not, however, take possession of the minerals until 1942, and its amalgamation powers are subject to a moratorium until 1940.

The main trends in the British coal industry since 1929 are indicated in the table overleaf. The course of the demand for coal has been downwards since 1929, for even in 1937 output failed to recover to the pre-depression level. The decline, however, was due entirely to falling exports, for home consumption in 1936, 1937 and 1938 exceeded the level of 1929. In the past year the industry suffered a slight setback, most marked in the export trade. The quantity available for consumption in Great Britain was only 3 per cent. smaller than in 1937, but as the coal equivalent of exports fell by nearly 12 per cent., the output of the mines had to be reduced by 5 per cent. Despite the slow progress towards concentration of production, the efficiency of the industry has been appreciably increased since 1929 by the introduction of modern methods of production and other improvements. The proportion of the total output cut by machines, for example, rose from 28 per cent. in 1929 to 57 per cent. in 1937, while the output per man-shift increased from 21.69 cwt. to 23.35 cwt. But technical progress was not confined to Britain, and appears to have been even more rapid in other countries. According to the report of the I.L.O., the output per man-shift rose between 1929 and 1936 by 8½ per cent. in the United Kingdom, 20.5 per cent. in France, 29.4 per cent. in Germany (Prussia), 30.3 per cent. in Czecho-Slovakia 34.1 per cent. in Holland (State Mines), 37.8 per cent. in Belgium and 45.5 per cent. in Poland. An international comparison of the output per man-shift in 1935 is given below:—

OUTPUT PER MAN-SHIFT IN PRINCIPAL COUNTRIES, 1935
(Output in Belgium = 100)

Belgium	100	Germany (Ruhr)	22½
France.....	112	Holland	23:
Great Britain	153	Poland (Eastern Upper Silesia)	26:
Czecho-Slovakia (Bituminous)	172	U.S.A. (Bituminous)	52:

* "The World's Coal-mining Industry." 2 vols. International Labour Office. P. S. King and Son, Ltd. Price 8s. each.

* "Economic Problems of Modern India." Edited by Professor Mukerjee. Macmillan. 443 pages. Price 10s. 6d.

† "Social Service in India." H.M. Stationery Office. 447 pages. Price 10s. 6d. (postage extra).

‡ "Industrial Labour in India." I.L.O., Geneva. 335 pages. Price 7s. 6d.

§ "The Industrial Worker in India." By B. Shiva Rao. Allen and Unwin. 263 pages. 10s. 6d.

It will be seen that, compared with other countries, the output per manshift in Great Britain is still relatively low, but as the extent of mechanisation depends largely on the geological structure of the coal seams, these figures do not necessarily prove that the industry in Britain has been less progressive than those in other countries.

Less satisfactory is the fact that the increase in the output per manshift has tended to decline again, from 23.54 cwt. in 1936 to 23.35 cwt. in 1937 and 23 cwt. in 1938. The decline in 1937 must be ascribed to the increase in demand in that year which probably necessitated the operation of less efficient units. Again, in 1938 there appears to have been a delay in the industry's adjustment to the fall in demand, for the average number of wage earners on colliery books was higher than in 1937 despite the reduction in output by 5.1 per cent.

Costs of production per ton showed little change between 1929 and 1936, but as a result of the increase in proceeds, due partly to the operation of production control, the profits per ton more than doubled. In 1937 costs, proceeds, and profits rose further, but mainly as a result of the rapid economic expansion at home and abroad in that year. The recession in 1938 would normally have brought with it a reduction in proceeds and profits; in fact, costs, proceeds and profits per ton rose by about 9 per cent. last year. The increase in proceeds in face of the fall in demand must be ascribed mainly to the operation of the selling schemes introduced on August 1, 1936.

Despite the downward trend in production between 1929 and 1938, the financial position of the industry has been considerably strengthened during this period. Thus, the average cash earnings per manshift showed an increase of no less than 35 per cent. during this period, and the average cash earnings per annum rose by 23 per cent. to £145, exclusive of the value of allowances in kind, estimated at £5 per annum. Earnings in the coal-mining industry thus no longer compare so unfavourably with those in other industries, especially when it is remembered that the average covers all employees, above and below ground, men and boys alike. But the improvement in the standard of living of the coal-miners, partly at the expense of a reduction in the number employed, has been accompanied by an equally marked increase in the profitability of the industry, the margin between proceeds and costs having risen from 4½d. in 1929 to 1s. 4d. per ton in 1938.

So far, the improvement in the financial position of the industry has been attained mainly at the expense of the consumer, for the proceeds per ton last year were 24.5 per cent. higher than in 1929. While it is true that the efficiency of the industry has been increased, this has not yet gone very far in offsetting the increase in wages and profits per ton, and the costs of those industries which, like gas and electricity undertakings and the cement and iron and steel trades, are large consumers of coal, have risen appreciably. No effort should, therefore, be spared by the coal-mining industry to reduce its costs by further improvements in production and distribution methods (the latter are now being examined by the Monckton Committee) and by the concentration of production. In many countries

concentration appears to have gone much further than in Britain. Thus, in the Ruhr district of Germany, the number of undertakings has been reduced from 120 in 1893 to 33 at present, and their average output has risen from half-a-million tons to over three million tons. In Belgium, the number of active colliery concerns declined from 164 in 1880 to 122 in 1913 and 86 in 1936, while the output per unit rose from 52,000 tons to 85,000 tons and 160,000 tons respectively. Again, in the United States, the number of bituminous mines of commercial size fell from 9,331 in 1923 to 6,315 in 1935, and the proportion of output from mines raising 100,000 tons or more per annum rose from 70.4 per cent. to 80.7 per cent. In this country, the number of mines in active operation fell from 3,289 in 1913 to 2,539 in 1928, but the average annual output during this period rose only from 87,000 tons to 90,000 tons. Since 1928 progress has been somewhat more rapid, but while the number of mines had been reduced to 2,080 in 1936, their average annual output was then still only 110,000 tons. Fortunately, there is evidence that the coal-

owners are now less oblivious to their responsibilities to the public. Moreover, the selling schemes have already tended to stimulate amalgamations, a process which should be hastened when the Coal Commission assumes the administration of the coal estate in the summer of 1942.

The troubles of the coal-mining industry have been such a constant thread in the political and industrial life of the country, and the conditions of the miners have excited such widespread sympathy, that there will be no regrets in any quarter over the industry's improved financial position. The mineowners, as a body, have not in the past succeeded in earning much sympathy from the general public; but it must be obvious to all save fanatics that a reasonable rate of profit is an essential condition of the health of the industry. But the improvements of the past decade could not have been secured without the assistance of the community. The community has a right to insist that the next task before the industry shall be a relentless pursuit of efficiency and a determined effort, without lowering the more satisfactory standards now attained, to reduce the cost of coal, which is still the basic ingredient of industry.

COAL-MINING STATISTICS

PRODUCTION AND EXPORTS

	1929	1933	1936	1937	1938	Percentage change between 1938 and 1929	
					†	1929	1937
(In millions of tons)							
Output	257.91	207.11	228.45	240.41	228.21	-11.5	-5.1
Per cent. cut by machines	28	42	55	57	...	...	...
Shipped abroad:—							
Coal	60.27	39.07	34.52	40.34	35.86	-40.5	-11.1
Coke	2.90	2.28	2.31	2.45	1.99	-31.4	-18.8
Manufactured fuel	1.23	0.80	0.51	0.68	0.34	-72.4	-50.0
Bunkers	16.39	13.46	11.95	11.70	10.49	-36.0	-10.3
Total (coal equivalent)	82.15	56.48	50.34	56.30	49.62	-39.6	-11.9
Imports	0.02	0.04	0.18	0.11	0.01	-50.0	-91.0
Available for consumption in Great Britain	173.50	146.37	175.90	181.78	176.40	+1.7	-3.0

EMPLOYMENT AND EARNINGS

Wage-earners on colliery books	931,670	772,358	756,012	777,869	781,672	-16.1	+0.5
Average cash earnings per manshift	s. d. 9 2.75	s. d. 9 1.54	s. d. 10 0.35	s. d. 10 8.04	s. d. 11 3	+35.0	+5.5
Average cash earnings per annum*	£ 118	£ 110	£ 131	£ 144	£ 145	+22.9	+0.7
Saleable output per manshift	Cwts. 21.69	Cwts. 22.47	Cwts. 23.54	Cwts. 23.35	Cwts. 23.0	+6.0	-1.5

COSTS AND PROCEEDS PER TON

Costs†	s. d. 13 6.5	s. d. 13 3.76	s. d. 13 8.04	s. d. 14 7.77	s. d. 16 0	+18.8	+9.2
Proceeds	13 11	13 6.59	14 7.50	15 10.53	17 4	+24.5	+9.2
Profits‡	0 4.5	0 2.83	0 11.46	1 2.76	1 4	+25.8	+8.4
Avg. export price (f.o.b.)	16 2	16 1	17 0	18 8	20 10	+30.9	+11.6

* Excluding value of allowances in kind estimated at £5 per annum. † Provisional.
‡ Excluding interest on debentures and loans, amortisation and taxation, estimated to aggregate 3d. per ton.

industry. But the improvements of the past decade could not have been secured without the assistance of the community. The community has a right to insist that the next task before the industry shall be a relentless pursuit of efficiency and a determined effort, without lowering the more satisfactory standards now attained, to reduce the cost of coal, which is still the basic ingredient of industry.

THE ECONOMIST BY AIR

To meet the growing demand from overseas readers for *The Economist* by air, special subscription rates have been introduced applicable to those countries to which Letter Mail is now normally transmitted by air. These are as follows:

	12 months	6 months
Europe	£ s. d. 4 17 6	£ s. d. 2 8 9
Empire Air Routes	6 10 0	3 5 0

These rates include all supplements, but the latter will be sent by the surface routes and not by Letter Mail.

Unexpired subscriptions may be transferred to the new category on application to

THE PUBLISHER, THE ECONOMIST,
8 BOUVERIE STREET, LONDON, E.C.4

THE CAR THAT MADE 14 h.p. MOTORING FAMOUS



THE NEW VAUXHALL FOURTEEN IS

BIGGER

with longer wheelbase, wider track, and much more roomy coachwork,

LIVELIER

the new 6-cylinder engine gives more and smoother power,

SAFER

all-steel integral construction and hydraulic brakes,

EASIER TO DRIVE

all silent, all synchromesh gears, adjustable steering wheel, etc. etc.,

SMOOTHER

latest Vauxhall torsion bar, Independent Springing, trouble free, steady on corners,

MORE LUXURIOUS

arm rests to all seats and many new luxury features,

AND ECONOMICAL

30 miles per gallon at an average speed of 30 m.p.h.

DE LUXE SALOON

£230

This is the first advertisement

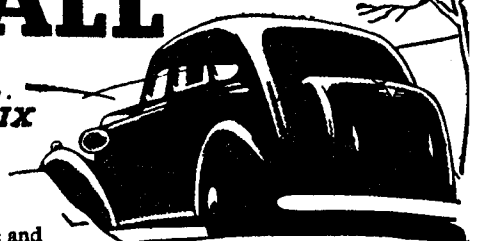
for the Vauxhall "Fourteen" since we announced this new car last October—and even this is rather in the nature of an apology. For only by trebling our manufacturing schedules are we at last catching up with a demand that has overwhelmed us since the Motor Show.

Such is the reputation of the Vauxhall Fourteen that many motorists placed orders before even seeing the car. While this confidence in the name Vauxhall is very gratifying, we would prefer

The New you first to have a thorough trial on the road, which you can do now at any Vauxhall dealer.

VAUXHALL

I4 Six



Before you decide on your next car, see and try the new Fourteen at your local Vauxhall dealers'. Write for literature to Vauxhall Motors Ltd., Luton, Beds.

NOTICE the clean rear lines and the big luggage boot. The spare wheel is housed in a separate compartment.

International Nickel Prospects

THE annual report of International Nickel is no ordinary set of company accounts. Stockholders will look in vain for any statement of the position of International Nickel Company of Canada, as such, for the directors, unencumbered by the provisions of the British Companies Act, pursue logic to its limit and publish only the consolidated profits, assets and liabilities of the company and its wholly owned subsidiaries. In its detail the fifteen-page directors' report is admirable. And the description of the numerous products of International Nickel and their uses, which completes the report, is an essay in modern metallurgical practice.

International Nickel stockholders, however, are habituated to such a generous volume of information. But not since 1932 has it been accompanied, as it is for 1938, by a reduction in net profits. The value of net sales (a new heading in the profit and loss account) fell by 20.3 per cent. to \$107,194,723, while operating profits were reduced by roundly \$20 millions to \$50,298,299. The outcome of the year, in terms of net profits, is a reduction of 35½ per cent., from \$50,299,624 to \$32,399,470. These results show a significant check to the expanding profits of the last few years, and illustrate, if proof were needed, the close dependence of International Nickel profits on cyclical trade movements. Last year the normal secular growth of consumption of nickel products was wholly interrupted by a fall of 21 per cent. compared with 1937, but it is still important to realise that even the reduced volume of 1938 was 31 per cent. higher than that of 1929, while the company's operating income was some two-thirds higher than the 1929 level.

These points are evident from a study of the table of comparative results of the undertaking for the past three years and of the chart showing the distributable profits for the past eleven years, which appear below. An analysis of the company's sales by volume, however, shows an interesting distinction between nickel and copper. Total sales of nickel, in all forms, fell last year from 207,700,943 lbs. to 164,378,245 lbs., and International Nickel failed to maintain its proportion of world consumption of nickel, which is estimated to have fallen last year from 240 million lbs. to 204 million lbs. On the other hand, sales of copper prove to have been remarkably stable last year, and actually showed a slight decrease from 291.9 million lbs. to 292.1 million lbs., although average prices were markedly reduced. The nickel figures, at least, should serve to check the still common assumption that International Nickel is primarily interested in armaments demand. The steel industry, which according to the company's estimates is responsible for as much as 60 per cent. of world nickel consumption, suffered a severe setback last year, particularly in the United States, and it was fortunate that the demand for copper outside the United States was sufficiently well maintained partly to offset the reduced

American demand. On the necessarily rough basis of average New York prices, which fell from 13.1 cents per lb. in 1937 to 9.8 cents per lb. in 1938, the decline in copper revenue may have been of the order of \$9.6 millions. The fact that the company's sales of copper were maintained largely through an increase in extra-U.S.A. sales has an interesting bearing on the working of the copper restriction scheme last year.

Before turning to consider the prospective demand for these main products during the current year, International Nickel stockholders will find much ground for satisfaction in the present position of the plants. Throughout the report, considerable emphasis is placed on research and productive economies. It will be recalled, for example, that the 1937 report referred to the "great economies" in mining costs which are anticipated from open-pit development at the Frood mine. This project is now well advanced and shipments of ore started, as scheduled, in January. To take another example, improvements at the Port Colborne nickel refinery gave a 3½ per cent. increase of furnace production and a 10 per cent. decrease in fuel consumption. Such examples could be multiplied for almost every section of the plants, both in Canada and in this country. For the forward-looking holder of International Nickel (and on the current yield basis of 3.69 per cent., holders of the stock are presumably looking ahead) the commencement of operations at the Finnish mine in the autumn of 1940 is of importance. These various improvements can be summed up by a comparison of capital expenditures during the last few years. Since 1934, the total has amounted to \$35½ millions, compared with net book property values, at the end of last year, of \$158.4 millions. Last year's allocation of \$10½ millions was the highest since 1936, which included very substantial expenditure on the Copper Cliff smelter. And in the current year the capital programme entails an expenditure of \$10.6 millions, of which \$4.3 millions is attributable to Finland.

The conclusion to be drawn from this recital is clear. The strategy of International Nickel is not conceived in terms of a single year's profits. It is rather intended to provide the most efficient plants for the satisfaction of a secular expansion in demand for nickel products. How far is that expansion likely to re-assert itself during the current year? The estimate of the president of the company, Mr Robert C. Stanley, is that business should parallel closely that of last year, assuming that the probability of war is remote—a reservation to which this week's political events give additional point. And it may be that a further element of caution is introduced by the apparent failure, so far, of the American steel industry to get into its stride. There is a suggestion, moreover, that the automobile industry is tending to use less highly alloyed steels in private cars, and this might act as an offset to the natural expan-

sion in nickel consumption which is to be anticipated in such outlets as stainless steel, foundry production and alloy metals. And the comparatively severe degree of restriction which has been re-introduced by the copper industry suggests the possibility of some reduction in copper shipments this year, unless demand revives.

Judging by the specific factors which determine the company's earnings—industrial trends in North America and overseas markets, the world price of copper, and the exchange value of the pound sterling—there is some reason for endorsing the President's caution. American recovery has recently wavered, and world trade conditions are still in the thrall of politics. The price of copper is firmer, but the restriction screw has necessarily been tightened. And a firmer dollar would not imply higher dollar income, unless sterling prices were raised, and that is hardly in the company's tradition. The uncertainties of the moment, at least, do not suggest that Mr Stanley's estimate is likely to prove unduly cautious, though it is important to emphasise that nickel consumption was greater in the second half of 1938 than in the first half. Moreover, the movement of quarterly earnings (which are not subject to any real degree of seasonal variation) may be significant. In the second quarter of 1938 consolidated earnings amounted to \$10.8 millions, but in successive quarters the total has improved to \$11.7 millions, and, for the December quarter, to \$13.1 millions. Such movements do not suggest that any massive recovery was in progress during the second part of the year, but they are in the right direction. And if the level of earnings in the current year were to equal the December quarter's average, an improvement in operating earnings of the order of \$2 millions would be achieved.

In the last analysis, however, it is not the nicely calculated less or more which influences the price of International Nickel. As a market leader, it is influenced by broad market movements, and in recovery and depression alike, the stock invariably capitalises current earnings generously. A stock which is a combination of a mining, industrial and commodity share should not, in theory, be selling on the basis of 26 times current earnings. But in this case theory has never really been applicable. Whether this is an appropriate time to buy on long-term prospects is another matter. The crude lesson of history gives the investor little assistance here, for last year the price fluctuated between 60½ and 38½, and even in the year of peak earnings—1937—the range was as wide as 35½-75½. So long as the balance of argument remains in favour of American recovery (and hence of improvement in Wall Street) any appreciable setback in the price of the stock would appear to be unlikely. But Wall Street has shown this week that European politics are still a prime factor in its calculations, and "Big Business" shows little disposition to accept its domestic brand of appeasement with much greater assurance. In International Nickel, in short, the investor meets that most awkward of securities—a stock whose long-term earning prospects are sound (though subject to cyclical influences) but which is perennially overvalued. Hence the ideal buying time involves taking a view of market conditions which may have no precise relation to the immediate profits outlook. But at least it may be said that the latter is not immediately expansive, and that the former are not making the expected headway. In such conditions, they serve their own ends who only stand and wait.

Finance and Banking

Czech Currency Outlook.—It seems safe to take it for granted that the conquered provinces of Bohemia and Moravia will soon be *gleichgeschaltet* from a monetary point of view, and that the crown notes in circulation will be exchanged for reichsmark notes. Some doubt exists whether Slovakia, which may retain for a while a show of autonomy, will be allowed to retain the crown as her currency, but considering that ever since Munich, Berlin had insisted upon monetary union with Czecho-Slovakia, it is more than probable that the crown will disappear altogether. In such circumstances it is not surprising that the market has adopted a strongly pessimistic view about the prospects. For the moment, the exchange rate has been fixed at 10 to 1, which over-values the crown, but it is not certain that the Czech districts will continue to be given as favourable treatment as the Sudetenland received after its conquest. Then the German authorities aimed at calling in the largest possible amount of crown notes, partly in order to use them in payment for raw materials purchased in Czecho-Slovakia, partly in order to sell some in Western European markets in return for free exchanges, and, last but by no means least, in order to be able to claim a large share of the Czechoslovak National Bank's gold reserve. Now none of these inducements exist. Crown notes have depreciated considerably in the market. While on Tuesday they were quoted at about 470 (against the official rate of 137½ for transfers), on Wednesday the quotation advanced to about 650 and closed around 600. There was some recovery on Thursday, on the assumption that the rate may not be fixed at quite such a disastrous level. Simultaneously with the slump in crown notes there was a noteworthy recovery in reichsmark notes, owing to the anticipated improvement in the German exchange position as a result of the acquisition of Czech gold assets, and also because of the temporary possibilities of smuggling notes into the conquered provinces before the new order is established.

standing, has only recently become the centre of open discussion, and incidentally of criticism in bullion market

Each year for the last twelve years the Standard
has declared a

42½%

ANNUAL COMPOUND REVERSIONARY BONUS

In 1938 this yielded for the year to many of the older members over

80%

on the original sum assured

ASK FOR A COPY OF THE ANNUAL REPORT.

THE STANDARD LIFE

ASSURANCE COMPANY

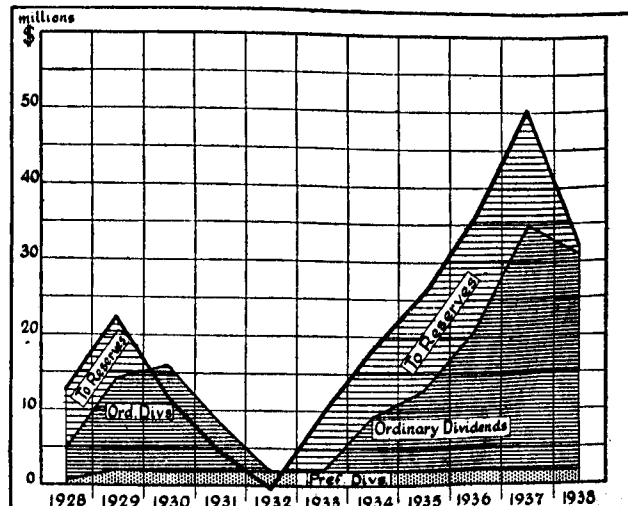
HEAD OFFICE: 3 GEORGE STREET, EDINBURGH
LONDON: 46 Queen Victoria Street, E.C.4, 15a Pall Mall, S.W.1

Gold by Parcel Post.—The practice of arbitraging gold to New York by parcel post, though of fairly long

INTERNATIONAL NICKEL PROFITS

In \$000's

	Year to December 31st		
	1936	1937	1938
Net sales	...	134,461	107,195
Cost of sales	...	63,964	56,896
Operating income	54,383	70,497	50,298
Expenses	1,562	1,625	1,614
Taxation	8,447	10,351	8,091
Depreciation, etc.	5,338	7,004	7,017
Retirement, insurance, etc.	2,477	1,757	1,715
Other income	Cr. 306	Cr. 539	Cr. 538
Preferred divs.	1,934	1,934	1,934
Common stock:—			
Earned	34,932	48,366	30,465
Paid	18,952	32,801	29,156
Earned \$ per share	2.39	3.31	2.09
Paid \$ per share	1.30	2.25	2.00
Reserve	260	4,510	...
Carried forward	50,896	70,951	72,260



circles. The point at issue is a simple one. Almost every European country other than the United Kingdom, makes its parcel post facilities available for the dispatch of bullion. In the case of France, those facilities are available subject to each parcel being of a maximum weight of 20 kilos. As a bar of gold weighs about 12½ kilos, the arbitrating of gold to New York via a French port can be effected by this means provided the gold is sent in boxes containing one bar each—as against the more usual four bars to a box. The charge made by the French Post Office for carrying freight across the Atlantic is considerably smaller than the “Atlantic conference” rate of 5s. 6d. per cent. charged on bullion shipments. As against this, however, must be set the higher cost of insuring gold dispatched by parcel post. This is due to the fact that the parcel post gold is not carried in the ship’s strong room—as is the gold which pays the normal freight rate—and also to the belief, quite erroneously held, that when it arrives in New York the parcel post gold does not receive the “military honours” and police guard which usually awaits incoming bullion in the United States. Hence the insurance market for parcel post gold has always been restricted. About two years ago this market disappeared altogether on a recommendation of the Committee of Lloyds that for insuring such gold across the Atlantic a premium of not less than 5s. per cent. should be charged. This premium of course placed such arbitrage out of court for the time being.

* * *

More recently underwriters have been tempted back into the market for quite limited amounts—about £500,000 a week—at rates which give parcel post gold arbitrage with New York an advantage of about 1d. per ounce over the gold arbitrage following the more normal channel. For the amount in question therefore there has in fact been a dual shipping parity and the ability of arbitrageurs to bid for gold at prices including a premium of ½d. or 1d. over the normal shipping parity to New York has in part been due to this fact. The problem has suddenly emerged into the field of open discussion owing to the ventilation of complaints by members of the bullion market who have been elbowed out of this business by the ability of other houses to book ahead the whole of the insurance facilities available for parcel post gold. The complaints have a distinct flavour of sour grapes about them, and are in no way helped by the spurious argument that the utilisation of parcel post facilities has intensified the drain on the Exchange Account’s gold resources.

* * *

North China Currency.—The currency regulations for North China came into decidedly uncertain force at the beginning of this week. At the last moment their immediate application was appreciably restricted, the forcible

conversion of old dollars to the new yuan currency being limited to a number of cities in which the machinery for conversion existed. Hitherto the conversion movement has proceeded in very half-hearted manner, and even in Tientsin the old Nationalist notes (exchange value 8d.) command a small premium over the new yuan notes (nominal exchange value 1s. 2d.). So far the regulations compelling the foreign banks in North China to sell their export bills to the agents of the new Reserve Bank in exchange for yuan currency at 1s. 2d. have been a dead letter. Official protests against this enactment have been made to Japan by Great Britain, the United States and France, but these, according to advices from Tokyo, are being rejected on the ground that “Japan has nothing to do with the Peiping Government.” The immediate burden of complaints against these regulations is that the compulsory sales of export bills at the exchange rate of 1s. 2d. applies retrospectively to deals entered into by the exporters on the basis of an exchange rate of around 8d., and that since the old and new Northern China currencies are convertible at par a substantial loss must accrue on such transactions. Moreover, it is felt that the sudden jump from the 8d. to the 1s. 2d. exchange rate must cause a serious dislocation of trade, especially as the new currency must for a long time fight against a strenuous boycott by the population. In answer to the exporters’ complaints the local authorities in Northern China have granted one month’s grace for the compulsory sale of export bills where these arise from contracts entered into before March 10th.

* * *

Commonwealth Bank of Australia.—Australia’s economic problems are discussed in a leading article on page 554, in which it is suggested that the balance of trade in 1938-39 will necessitate some depletion of London funds. The export surplus in 1937-38 was already the smallest since 1929-30, when there was an import surplus of £31 millions sterling, which presumably explains the drop to £22.6 millions in “money at short call in London” disclosed in the balance sheet at December 31st last of the Commonwealth Bank. The figure compares with £27.1 millions at the end of June and £30.5 millions at the end of December, 1937. The other notable change is a rise in Commonwealth Government securities from £30.7 millions in June to £36.2 millions; in the directors’ report it is explained that the bank subscribed £6 millions to the £72 millions Commonwealth Conversion and Defence Loan last November. The report adopts a very cautious attitude with regard to current economic conditions. Internal activity is regarded as being still comparatively high (the bank’s note circulation at the end of the year was only £1 million below the end-1937 figure); but the financial position of the different Governments is said to show some weakening, and the warning is expressed that defence expenditure may place some strain upon the community’s savings and available resources.

MONEY MARKET NOTES

Foreign Exchanges

THE firmer tendency in sterling apparent in recent weeks has been reversed by the events in Czechoslovakia. Over the week-end the sterling-dollar rate was very steady and closed on Monday at 4.69½, compared with 4.69½ on Saturday, but on Tuesday uneasiness over the political situation began to spread to the foreign exchange market and Control support was necessary to prevent the rate from falling below 4.68½. Selling, however, has not been widespread, even on Wednesday when at one time the rate fell

to 4.68½, and it has been the almost complete absence of demand for sterling, other than official buying, which has caused the comparatively wide fluctuations. On Thursday, the volume of business was again very small, but, except for a brief rally in the early afternoon, the pound was on offer all day, and Control support was necessary to hold the rate at 4.68½. Simultaneously, with the decline in the spot rate, the premium on forward dollars has widened, and on Thursday afternoon that for three months was quoted at 1½%. Francs were rather erratic on Wednesday and depreciated at one time to 176½, but rallied later and closed

with a net appreciation of ½ against sterling at 176½. On Thursday afternoon they were quoted at 176½-¾. More significant has been the renewed offering of forward francs, the discount for three months widening from ½ on Tuesday to ¾ on Wednesday and to 1½-1 at one time on Thursday. A similar tendency has been noticeable in belgas. The spot rate has moved with the dollar, falling to 27.83½ on Thursday, but the three months’ forward discount was then quoted at about 63c., compared with 55½c. on the previous day. Swiss francs were offered on Thursday, and the rate rose from 20.60½ to 20.65½.

The Money Market

CONDITIONS in the money market have remained very much unchanged, and no disturbance as a result of the international situation has been noticeable. The flight of capital to New York, indicated by the fall in the sterling-dollar exchange rate, must be of very small dimensions, for credit conditions remain very comfortable. Bond money was in rather keener demand on Thursday and was available at ½ per cent.

	Mar. 17, 1938	Mar. 9 1939	Mar. 16, 1939
Bank Rate	2	2	2
London Deposit Rate...	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	5½	5½	5½-34
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	17½-9½	17½-17½	17½

* 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.

In the discount market slightly more business has been done, as market houses have now more bills to offer to the banks. Nevertheless, they were again disappointed at the result of last Friday's Treasury Bill tender. Their quota rose from 27 to 34 per cent., but one of 40 per cent. had been hoped for in view of the maintenance of the amount on offer at £40 millions. The amount to be offered for tender this Friday, however, is £10 millions in excess of the corresponding maturities, so that the prospect for the market is more encouraging. As the bills will mature towards the end of June they will, however, be very popular and little improvement in the rate is expected. The rate for the three months' fine bank draft is still quoted at ½ per cent.

Refuge Assurance.—New sums assured showed there was a considerable reduction from £8,685,000 to £7,895,000 in the Ordinary Branch last year; in the Industrial Branch, new sums assured amounted to £15,861,000 against £16,001,000. The rate of interest earned fell by 3s. 1d. per cent. and 2s. 7d. per cent. to £3 19s. 5d. per cent. and £4 9s. 5d. per cent. in the Ordinary and Industrial Branches respectively. In the Industrial Branch, the expense ratio fell further from 33.6 per cent. to 32.8 per cent. of the premium income. The development of endowment business since pre-war days has no doubt contributed to the great reduction in expense ratios. In 1914, 93.3 per cent. of the Refuge's new business was in whole life plans against 6.7 per cent. for endowment assurances; by 1928 the corresponding figures were 66.3 per cent. and 33.7 per cent., while last year the ratio of the two classes was 53.9 to 46.1. The basis of the annual valuation was unaltered in the Ordinary Branch, namely O^m 3 per cent. for assurances and a⁽¹⁾ and a^(m) 3 per cent. for annuities. In the Industrial Branch the reserves were again strengthened, at an unstated cost; English Life Table No. 10 replaces the No. 8 table, and on this occasion 2½ per cent. was used not only for premium paying policies as in 1937, but also for free policies. The progressive strengthening of reserves over a number of years is resulting in increased surpluses and bonus distributions. Last year, as the following table shows, the surplus

The Bank Return

THIS week the gold in the Issue Department has been valued at 148s. 5d. an ounce, which is again ½d. below the market price on the day of the Return. As the total gold holding of the Department is unchanged on the week, it follows that the difference arising from the higher valuation must have been counteracted by a transfer of gold to the Account. The note circulation

	Mar. 16, 1938	Mar. 1, 1939	Mar. 8, 1939	Mar. 15, 1939
Issue Dept.	£ mill.	£ mill.	£ mill.	£ mill.
Gold	326.4	226.4	226.0	226.0
Notes in circulation	479.5	478.4	479.2	477.2
Banking Dept.:				
Reserve	47.8	48.9	47.9	49.8
Public Depts.	11.1	11.6	11.4	10.5
Bankers' Depts.	119.0	110.4	97.4	106.5
Other Depts.	35.7	36.5	35.8	35.5
Govt. Secs.	112.2	99.0	89.2	97.5
Discounts & Advances	3.6	6.3	3.4	1.7
Other Secs.	20.5	22.4	22.4	21.7
Proportion	28.8%	30.8%	33.1%	32.6%

shows a fall of £2 millions, and this, together with a rise of £8.3 millions in Government securities, has partially offset the big drop in bankers' deposits last week. They are now back to about their February average, but are £12.5 millions below the corresponding figure last year.

*

The Bullion Market

THE price at the fixing showed very little change until Wednesday. The steadiness of the sterling-dollar exchange rate, and the firm undertone of the pound discouraged any big arbitrage demand, and such as did exist was met from Continental resales. On Monday these were insufficient to supply the market demand, and as the

Exchange Account, in view of the firmness of the pound, was disinclined to encourage the rising tendency by selling gold for arbitrage, buyers had to be rationed and only obtained about 75 per cent. of their requirements. With the weaker tone in sterling, however, the Exchange Account has been anxious to offset it by allowing arbitrageurs full play; and about half of the turnover of £460,000 on Wednesday came from official sources. There has been no evidence of any revival of gold hoarding, except perhaps for a little on Thursday, when in a very small market hoarding

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount *	Amt. dealt in †	Cash	Two Mths.
1939	s. d.	d.	£'000	d.	d.
Mar. 10 ...	148 3	12pm.	341	20½	20
" 11 ...	148 3	1pm.	263	20½	20
" 13 ...	148 2½	12pm.	513	20½	20
" 14 ...	148 3	12pm.	700	20½	20½
" 15 ...	148 5½	1pm.	463	20½	20½
" 16 ...	148 6	1½pm.	246	20½	20½

* 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.

and arbitrage demand raised the premium to 1½d. The silver market has been quiet and very steady. Supplies of cash silver over here are still very scarce, so that a little buying from India, coupled with some bear covering, has been enough to cause the small rise in prices that has taken place. America has been inclined to offer silver for near delivery, but when the tone of the dollar became firmer sales from this source were checked.

INSURANCE NOTES

earned was more than double that in 1937 and three and a-half times that in 1936. In the Ordinary Branch, the surplus differed little from recent years, but a substantial allocation was made to the Investment Reserve Fund at the expense of the balance carried forward. The results of the past two valuations are set out below.

	1937 £	1938 £
Ordinary Branch		
Surplus earned	1,059,946	1,065,764
Brought forward	696,032	710,011
	1,755,978	1,775,775
Policyholders' bonuses	941,370	955,352
Shareholders' account	104,597	106,150
Investment reserve fund	710,011	250,000
Carried forward	1,755,978	1,775,775
Industrial Branch		
Surplus earned	352,741	773,099
Brought forward	120,297	121,441
	473,038	894,540
Policyholders' bonuses	256,194	454,350
Shareholders' account	45,403	51,350
Investment reserve fund	50,000	250,000
Carried forward	121,441	138,840
	473,038	894,540

The bonus in the Ordinary Branch is again at the moderate rate of 36s. per cent. on the sum assured, but the allocation to policyholders in the Industrial Branch has been largely increased. Total assets, at £71,165,000, show an increase of nearly £2½ millions over the year. Investment Reserve Funds now total £4,000,000, and the market value of stock exchange securities at the end of the year "consider-

ably exceeded" book values. British Government securities amount to nearly £26 millions, representing 36.5 per cent. of total assets; during the year £762,000 has been added to loans on public rates and £617,000 to Debenture stocks. Ordinary stock holdings show little change at £512,000, and represent only 0.7 per cent. of the assets.

*

National Provident Institution.—Total new business in 1938 shows a small decline, at £2,047,000, compared with £2,126,000 in 1937 and £1,882,000 in 1936. Death claims in 1938 at £387,000 show an increase of £95,000 over the previous year, but the mortality experience appears to be favourable, since claims intimated over the last five years represent only 83 per cent. of the amount expected according to the A¹⁹²⁴⁻²⁹ table. Total assets increased from £12,909,000 to £13,219,000. Loans of all kinds amounted to £3,608,000 against £3,257,000; loans on public rates amounted to £739,000, compared with £496,000, while policy loans fell from £771,000 to £687,000. A new item of £150,000 for "deposit with building society" confirms the impression that a good deal of money has recently been invested by the life offices in building securities. British Government securities declined from £1,746,000 to £1,590,000, but there were no other marked changes in securities.

Investment

A Blow to Confidence.—Until this week, political quiet and accumulating evidence of industrial recovery provided a favourable background for the Stock Exchange. Such hopes have again been shattered by political aggression. The annexation of Czecho-Slovakia, indeed, has occurred with such incredible suddenness that even on Wednesday, when the facts were staring from the headlines, the market was not violently shaken—until shortly before the close of business, when heavy selling from Wall Street and the announcement that British Ministers had put off their trade discussions with Berlin, led to a sharp fall in gilt-edged and industrial security prices. For the moment, the market seems disposed to act only on the

	1938			1939				Fall this week
	High	Low	Sept. 30, 1938	Jan. 27, 1939	Mar. 10, 1939	Mar. 15, 1939	Mar. 16, 1939	
Consols 2½%	79½	64	74	69	70½	70½	69½	1
War Loan 3½% ...	103½	90½	101½	96½	98½	98½	97½	1
Conversion 3% ...	103½	92	100½	96½	99	98½	98½	½
German 4½% ...	46	15	42½	22½	31½	31	29½	2
Czech 8%	105½	20	65	45	69½	50	39	30½
Courtaulds (£1) ...	48½	26½	29½	23½	28½	28½	27½	1/6½
Dunlop (£1)	33½	21½	27½	22½	27½	28½	27½	1/1½
General Elec. (£1) ..	79½	67½	78½	71½	81½	80½	78½	2/3
I.C.I. (£1)	35½	27½	31½	28½	32½	31½	31½	1/3
Turner Newall (£1) ..	87½	63½	78½	69½	82½	82½	79½	3/3
West Wits	92½	43½	41½	41½	61½	57½	55½	15½
Rhokana (£1)	13½	9	9½	9½	11½	11	10½	13½
"Shell" (£1)	51½	3½	41½	31½	47½	45½	44½	5½
Financial News								
Indices								
Fixed Interest ...	131.0	119.9	125.8	120.0	121.7	121.3	120.9	0.8
Ord. shares	97.2	73.7	83.5	73.7	88.0	86.5	84.9	3.1

short view that even tigers must attend their digestion. Hence, there has been no selling of a panic nature, and although the market was in a state of incipient retreat on Thursday, it succeeded in a better show of resistance than the brute facts might have suggested. The accompanying table shows the course of leading gilt-edged securities, German and Czech bonds and industrial shares since the Munich Agreement. Herr Hitler's more or less pacific speech at the end of January flattered the market into thinking that appeasement could be capitalised. This week's consequences may not affect the ultimate economic effects of expansionary re-armament finance—indeed, they may enhance them. But the Stock Exchange can no longer make any confident bid for political appeasement.

The "House" and Inequitable Taxation.—The Committee for General Purposes and the Trustees and Managers announced this week an important scheme, the principal object of which is to lighten the inequitable existing basis of taxation which falls upon Stock Exchange firms, especially jobbers. Although the scheme is not restricted to jobbers, the prime difficulty arises from the fact that the profits of jobbers generally have to take into account the changes in the value of the "book" and this, again, must be based on the quotations, whether nominal or not, ruling at the end of the accounting period. But the profit figure thus arrived at does not in any sense represent the jobber's net cash increment over the year. Moreover, in normal cases, the jobber's book is normally made by the public and, except in particularly active stocks, he cannot cash in at his own selected moment. Even if he could find a buyer, disposal would be tantamount to getting rid of his stock-in-trade on the basis of which he has to make prices. In a rising market, therefore, paper profits arrived at in this way bear no relation to cash earnings. And it is a fact that in very many cases, tax and surtax on the former more than absorb the whole of the latter, leading to the paradoxical result that the diffi-

culty of meeting taxation obligations assumes quite unmanageable proportions in good years. If there is a normal subsequent recession, a serious situation may well arise, which is not due to any lack of conservatism or heavy drawings. For some two years, methods of meeting this situation have been under consideration and the Stock Exchange authorities have concluded that the only method for obtaining relief is to allow firms to register as private companies with unlimited liability. To this end, the trustees and managers propose alterations of the deed of settlement so as to extend the definition of the word "members" to include corporate bodies. When the deed has been altered it will be necessary to reconcile the rules, and the necessary changes will be carried through immediately the proprietors have performed the lengthy voting processes which at present have to be followed when an alteration in the deed is proposed. Firms will then be at liberty to turn themselves into private unlimited liability companies, the directors and shareholders of which will be liable for taxation only on the amount actually received by way of management, remuneration and/or directors' fees and/or dividends. It is understood that the scheme has the tacit approval of the Inland Revenue and that, provided it can be shown that there is a reasonable distribution of profits, amounts placed to reserve will not attract surtax. It should be added that the scheme is purely permissive and that firms which decide to avail themselves of the new right are likely, in nearly all cases, to adopt a nominal capitalisation. The attendant publicity, however, may for a time have some influence on firms which are undecided to make the change, for unlimited companies are required to make substantially the same return to Bush House as limited companies.

The trustees and managers are taking advantage of the opportunity to propose further alterations to the deed of settlement, which are considered necessary in the light of present-day conditions. Resolution No. 2, therefore, covers two objects. The first proposes to enlarge the purposes of the undertaking to enable the Trustees and Managers to acquire property outside the City in anticipation of the need for alternative accommodation during a state of war or other emergency. Under the second head, it is proposed to relax the stringent voting requirements at present involved for the validation of special resolutions for increasing capital or altering the terms of the deed. The serious difficulty in amassing the proportion of votes needed at the stipulated confirmatory meeting was illustrated last year, on the re-financing proposals, though the latter enjoyed virtually unanimous support from all sections of the "House."

Unit Trust Control.—The Prevention of Fraud (Investments) Bill was considered at Committee stage in the House of Lords on Tuesday. Amendments on the general sharepushing clauses of the Bill are mainly of a drafting nature, but clause 16 relating to unit trusts has, in substance, been re-drafted on the lines suggested in *The Economist* last week. The main points in the new clause arise under sub-section 3, which in turn is supported by a Schedule of six paragraphs. The new sub-section provides that the terms of any unit trust deed created before the commencement of the Act may be varied or supplemented by a further deed containing such provisions as may be certified by the Board of Trade, within the scope of the matters specified in the Schedule. With the addition of a paragraph requiring the publication of accounts relating to the trust, the requirements of the Schedule are substantially those which were discussed in last week's article. It is clear that sub-section 3 of clause 16 will act retrospectively on all trusts which desire to become authorised unit trust schemes, and the permissive

"may" in the clause merely enables them to amend the existing terms of their deeds, in cases where this is necessary, without being obliged to make an application to the Court. Secondly, the powers of the Board of Trade to regulate the affairs of unit trusts will be restricted to the six points of the Schedule.

It may be contended that to incorporate a measure of control over the movement, within the framework of the Sharepushing Bill, is not the most satisfactory way of legislating for unit trusts, as we pointed out last week. Much will depend, clearly, upon the requirements which the Board of Trade may certify as being necessary. For example, their powers relating to prices and yields might undoubtedly raise fundamental questions regarding the relative merits of appropriation and cash fund trusts, and this should depend on something more than a mere departmental decision. Some sympathy will undoubtedly be found for an amendment by Lord Buckmaster to require the publication of accounts relating, not merely to the trust, but also to the managers, for if the contentions of the advocates of the cash fund method (that the managers of appropriation trusts are in a position, as principals, to obtain extraneous profits) are valid, the extent of such profits would immediately be apparent if their accounts were published. If, on the other hand, the new clause 16 is regarded as a provisional piece of legislation, pending an opportunity to legislate comprehensively for the movement, it must at least be regarded as an ingenious and probably a workable compromise. It is to be hoped, however, that the Government having decided at the last minute to indulge in a measure of statutory control, will not weaken the clause as it now stands, since it offers scope for improving the security of the unit holder and cannot conceivably operate harshly on either trustees or managers. Reports that certain groups have offered units, in one case through a third party, and in another to existing holders, at a discount, come distinctly inappositely in a week in which questions of unit trust management have been under discussion in the House of Lords.

Electricity Reports

North-Eastern Electric.—Recession had no apparent effect on the fortunes of North-Eastern Electric last year. The report shows a further substantial advance in operating profit and in ordinary earnings. Increased armament work, particularly naval shipbuilding, has presumably offset any falling-off in general industrial activity. Moreover, the company has doubtless benefited from the intensive campaign to develop its domestic supply. Its load is now more diversified, and less vulnerable to trade setback than in the 1931 depression. The results for the past three years are analysed below:—

	1936	1937	1938
Profit	1,244,590	1,410,801	1,509,880
Interest payable	250,806	247,818	244,132
Depreciation and sinking funds	466,770	592,959	646,748
Preference dividends	185,482	185,482	185,482
Ordinary stock:—			
Earned	341,532	384,542	433,518
Paid	333,194	333,194	333,194
Earned %	7.2	8.3	9.9
Paid %	7	7	7
To general reserve	...	...	100,000
Carried forward	166,373	217,721	218,044

The 7 per cent. dividend is now covered by a comfortable margin, and since the depreciation and sinking fund charges would now appear to compare with our standard scale, it may be regarded as a true margin. At 31s. xd. the £1 shares give a yield of £4 10s. per cent. In assessing the prospects of the company, however, it must be remembered that the bulk of its distribution orders are approaching the time when the purchase rights of the local authorities will become operative. In fact, less than

half the existing orders have more than ten years to run. While it is unlikely that the Electricity Commissioners will permit these rights to be exercised, and such a development would be regrettable in view of the outstanding enterprise and efficiency which the company has shown, an extension of its franchise in respect of these various orders might be made subject to restrictions regarding the permissible rate of earnings in the future.

County of London Electric.—This undertaking—the largest electric supply company in the country—again showed a substantial increase in sales of current and revenue last year. Revenue, in fact, increased by 11 per cent., while sales of units rose by 10.4 per cent.—a result which is somewhat surprising, since a large part of the undertaking is subject to the London Electricity No. 1 Act of 1925, under which distributable earnings can only be increased by reduced charges. Net revenue, which includes interest and dividends from subsidiary companies, shows a gain of no less than £345,652, equivalent to 14.5 per cent. The greater part of this gain is available for the ordinary capital, on which earnings, after tax, are some £217,023 higher at £1,037,502. The nominal earnings are equivalent to 20.6 per cent., but this is not necessarily distributable in its entirety, since part of the "surplus" earnings of the London undertaking is presumably included. A comparison of the results for the past three years is given below:—

	1936	1937	1938
Units sold to consumers (mn.)	1,035	1,200	1,325
Increase %	16.7	15.9	10.4
Units sold to C.E.B. (mn.)	831	715	682
Revenue from sales of energy	4,002,900	4,357,847	4,836,632
Trading profit	1,860,290	2,050,869	2,365,522
Net revenue (inc. divs.)	2,120,081	2,378,110	2,723,762
Debt interest, etc.	324,677*	371,841	388,980
Depreciation & sinking funds	699,385	791,796	849,365
Taxation	50,000	100,000	125,000
Preference dividends	282,915	293,994	322,915

Ordinary stock:—			
Earned	763,104	820,479	1,037,502
Paid	599,246	612,371	612,371
Earned %	14.2	15.3	20.6
Paid %	10½	10½	10½
General and No. 2 reserves	150,000	150,000	255,000†
Carried forward	425,289*	483,397	653,527

* Excluding special allocation of £18,241, covered by £42,259 profit on investments realised, balance of £24,018 being added to carry forward. † Including £70,000 for staff superannuation and £35,000 to contingency fund.

It is to be regretted that the company, unlike the Metropolitan Electric, does not segregate the results of the undertaking which is subject to the 1925 Act from the rest of its business. This omission makes the analysis of the accounts difficult, and in view of the ostensibly high rate of earnings shown on the ordinary capital, segregation might be advantageous to the company. Depreciation and sinking fund charges made by the company are also difficult to relate to our standard basis, but it would appear that the actual provisions are, if anything, more than adequate. In December last the company made an issue of 1,250,000 ordinary shares of £1 at 43s. 6d. per share, which will rank for dividend in the current year. On the indicated earnings, the company should not have the slightest difficulty in maintaining last year's distribution of 10½ per cent. on the increased capital. At 44s. 6d. xd. the £1 shares yield £4 14s. 6d. per cent.

BRITISH GENERAL SERIES 'C'

A Unit Trust comprising Shares of 27 leading Industrial Companies. Purchase price around 16/- xD returns gross yield approximately 5½%

Trustees:
GENERAL ACCIDENT FIRE & LIFE ASSURANCE CORPORATION, LTD.

Managers:
BRITISH GENERAL FIXED TRUST LTD.,
36/37 King Street, London, E.C.2

Clyde Valley Electrical Power.—This company, which serves a similar economic area as the North-Eastern Electric, shows even more satisfactory results. Net profits last year increased by approximately 10 per cent., as against 7 per cent. in the case of the latter. After again providing £250,000 for the contingency fund—or, strictly speaking, depreciation—earnings available for the ordinary capital show a substantial increase from £210,468 to £266,798. The results for the past three years are analysed below:—

	1936	1937	1938
Revenue from sale of energy	1,023,627	1,175,608	1,334,905
Net profit	439,290	536,327	589,623
To contingency fund	200,000	250,000	250,000
Interest	10,509	17,859	14,825
Preference dividends	58,000	58,000	58,000
Ordinary shares:—			
<i>Earned</i>	170,781	210,468	266,798
<i>Paid</i>	168,000	168,000	205,512
<i>Earned %</i>	8.2	10.7	11.3
<i>Paid %</i>	8	8	8
Carried forward	97,800	140,268	161,314*

* After providing £25,320 for special contributions to super-annuation and writing off £14,921 new issue expenses.

In April last year, the company increased its ordinary capital by 50 per cent. through the issue of one new share for every two held at 20s. On the capital ranking for dividend, the earnings for the year are equivalent to 11.3 per cent., and would cover a dividend of 8 per cent. on the increased capital for a full year with a slight margin to spare. Moreover, the contingency charge of £250,000 is in excess of depreciation calculated on our standard basis by an amount equivalent to approximately 2½ per cent. on the capital now outstanding. Hence, there can be little doubt regarding the company's ability to maintain dividend payments at the rate of 8 per cent.

* * *

A comparison of the company's position with that of the North-Eastern Electric produces some interesting results and explains the company's ability to issue shares on generous bonus terms last year:—

	Clyde Valley Electrical Power £	North-East'n Electric Supply £
Capital expenditure, December 31, 1938	5,910,010	17,523,791
Depreciation, sinking fund and other reserves	2,549,097	3,225,908
Net capital expenditure	3,360,913	14,297,883
Available to meet capital charges, 1938	589,623	1,509,880
<i>Do. as % of net capital expenditure</i>	17.5	10.5
Depreciation charges, etc.	250,000	646,748
<i>Do. as % of net capital expenditure</i>	7.45	4.53
Available for equity capital	266,798	433,518
Equity capital outstanding	3,150,000	4,759,919

At the end of 1938, the Clyde Valley's total depreciation fund and reserves amounted to no less than 42 per cent. of its outstanding capital expenditure, largely as a result of profits ploughed back into the business in the past. In effect, therefore, the balance sheet value of the assets is much lower than their real value. At 36s. 6d. the shares yield £4 8s. on the assumption that the 8 per cent. dividend is maintained.

* * *

London Associated Electricity.—Reviewing the 1937 results of London Associated Electricity, we pointed out that the company was faced by a difficult problem if it

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.

wished to earn additional profits in respect of "shareholders' proportion of consumers' benefit," since there was little margin for any reduction in prices if earnings were to be maintained at a level sufficient to cover the statutory dividend of 7 per cent. and the existing level of sliding-scale profits. The question then posed—whether the directors would make a substantial reduction in prices and face a temporary reduction in earnings in order to encourage an expansion of demand and thus eventually to increase the level of sliding-scale profits—is answered by the 1938 report, which shows that they have, in fact, done so. The figures for the past three years are given below:—

Operating Company	1936	1937	1938
Units sold (millions)	386	419	433
<i>Increase (%)</i>	10.3	8.5	3.2
Revenue from supply	2,612,648	2,736,691	2,615,687
Total revenue	2,898,455	2,994,046	2,886,719
Purchase of electricity	1,104,256	1,177,466	1,227,533
<i>Earned for charges</i>	983,576	1,007,435	835,540
Sinking funds	362,860	386,092	417,653
Debt interest, etc.	60,761	54,665	54,473
Income tax	...	12,919	25,219
Co-partnership bonus	...	40,953	38,667
<i>Balance available for dividends</i>	559,955	512,806	299,527
Dividends paid "A"	519,184	460,055	446,879
No. 2 reserve fund	5,713	75,000	...
Holding Company			
Net earnings	501,055	445,988	446,841
Preference dividends	120,420	120,420	120,420
Ordinary dividends (7%)	325,556	326,093	326,145
To stockholders' reserves	55,000	...	...

Sales of units increased by 3.2 per cent., but total revenue fell by £107,327, or 3.6 per cent. Cost of current purchased rose by £50,067, and after providing for the normal increase in the sinking funds, the net balance available for dividends is some £213,279 lower at £299,527. The ordinary dividend paid by the operating company is reduced from 7½ per cent. to 7 per cent., but in order to pay this it has been necessary to draw on the carry-forward to the extent of £114,980 after taking credit for profit on investments of £32,373. No appropriation is made to No. 2 reserve fund, against £75,000 in 1937, although the amount which the company was entitled to appropriate, had earnings been available, was undoubtedly much greater than in 1937—possibly of the order of £110,000. The amount carried forward is now only £137,991, and the company could hardly afford to maintain its 1938 level of earnings longer than another year without running the risk of being unable to pay even its statutory dividend. The holding company dividend on its ordinary shares is maintained unchanged at 7 per cent. Superficially, the initial results of the new policy are disappointing, particularly if judged by the small increase in the number of units sold. It is hardly possible, however, to assess the policy on one year's results. An unexpected increase in the cost of current at the same time as a voluntary reduction in sales revenue may have caused a more acute drop in net earnings than was envisaged by the company. The evident necessity to increase sales of current partly explains the company's desire to impose "minimum charges" on certain categories of consumers, to encourage greatly increased consumption, though its effects are perhaps open to debate. At 28s. 9d. the £1 shares yield £4 17s. 6d. per cent.

* * *

South London Electric.—The 1938 report of the company, which is controlled by County of London Electric, shows a surprisingly large gain in the number of consumers supplied of 5,713 to 44,233. The gain in units sold, at 7.3 per cent., is more than double that of the London Associated Electricity, and revenue from the sale of current has increased almost proportionately. The results for the past three years are shown on the opposite page.

	1936	1937	1938
Units sold ('000)	55,810	63,930	68,596
<i>Increase %</i>	21.1	14.5	7.3
£	£	£	£
Sale of current, etc.	356,571	401,787	426,382
Cost of purchased current	163,618	184,192	207,759
Net revenue	121,205	138,260	130,764
Sinking funds, etc.	46,723	53,826	62,324
<i>Earned for ordinary capital</i>	56,682	65,839	44,768
Ordinary dividend	37,346	37,346	37,346
<i>Earned %</i>	11.8	14.1	8.9
<i>Paid %</i>	7	7	7
To No. 2 reserve	14,743	19,386	22,444
Carried forward	17,932	27,039	17,017*

* Includes £5,000 from investment reserve not required.

The balance available for dividends shows a sharp fall, largely owing to increased cost of current. While the statutory dividend of 7 per cent. is still covered, the "shareholders' proportion of consumers' benefit" carried to the No. 2 reserve fund, which is equivalent to an additional 4½ per cent. on the ordinary capital, is only earned to the extent of under 2 per cent. Here, again, an unexpected increase in the cost of current has probably unbalanced the careful calculations of the management regarding the amount of surplus dividends which could be earned. On the regular dividend of 7 per cent. the £1 shares at 29s. 6d. yield £4 15s. per cent.

Company Notes

Outlook for Courtaulds.—Stockholders will find several points of encouragement in Mr Samuel Courtauld's speech at this week's meeting. His explanation of dividend policy, confirming the suggestion made in these columns, shows that last year's generous declaration implies "a reasonable probability" that earnings will cover the same rate for the current year. On the trading outlook, the speech falls into two sharply divided parts. In the home trade, a moderate increase in the volume of business is possible. And in conjunction with lower wood-pulp costs and stabilised prices, at a higher level, the implication of higher profits from this branch is clear. So far, the price arrangement is of a friendly and informal nature, and a long-period basis of agreement is still under discussion with British Celanese. But in the United States, neither the course of rayon sales nor the level of prices provided Mr Courtauld with justification for forecasting "any substantial change for the better" this year. Even if this judgment were to prove unduly reserved, a marked improvement in the position of American Viscose in the second half of this year would not, judging from past practice, swell Courtaulds' profits until 1940. On these grounds the chairman's cautious estimates seem entirely reasonable. But looking further ahead, stockholders may well feel satisfied with the progress of new products and technical improvement. "Nylon" has been in this week's headlines, and undoubtedly the agreement between Courtaulds and Imperial Chemical Industries to form a joint company to manufacture this new yarn (recently patented by du Pont de Nemours) shows that the company is abreast of every technical development. In terms of immediate profits, of course, the new material will not be a dominant factor, for the initial plant will be small, and it will not, at first at least, enjoy so wide a market as the new du Pont plant, which is to cost, in all, over \$10 millions, and will not be completed before next year. Meanwhile, however, there are potential economies to be won at home. The new Preston factory at which operations are commencing on a small scale, is expected to show very important savings. And the two staple fibre plants at Greenfield (the first is now working to full capacity and the second to 70 per cent.) would produce better financial results if cotton and wool prices were at less acutely competitive levels. These are points of substance for the long-term investor, even if the immediate profits outlook is limited to a natural rebound from the bitter experience of 1938.

Canadian Pacific Reverse.—For a month past preference stockholders of Canadian Pacific have awaited the results of a year which proved barren of dividend. The announcement of the passing of the preference dividend was accompanied by a statement that a "modest surplus" was actually available, after providing for expenses and depreciation. This proves to be equivalent to 0.92 per cent. on the preference capital. Gross railway earnings fell last year from \$145,085,558 to \$142,258,981, and working expenses were in fact slightly higher, at \$121,506,515 against \$121,342,311. Hence net railway earnings were reduced from \$23,742,247 to \$20,752,466. So much, however, was already known. This week's statement, therefore, is chiefly interesting for the light it throws on other income and expenses, whose movements are analysed in the table below:—

	(In \$'000's)		
	1936	1937	1938
Railway:			
Gross earnings	138,563	145,085	142,259
Working expenses	115,252	121,343	121,507
Net earnings	23,311	23,742	20,752
Other income:			
Dividends, etc.	5,188	8,204	6,360
Steamships	Dr. 14*	2,459*	591*
Hotels, etc.	1,457	967†	413†
Total income	29,942	35,372	28,116
Rentals and interest	23,913	24,042	24,768
Interest on "Soo" bonds, etc.	...	1,868	2,086
Available for dividends	6,029	9,462	1,262
Pref. div.	1,372(1%)	2,745(2%)	Nil
"Soo" interest deficiency	3,660	3,849	...
Loss on lines abandoned, etc.	3,341	2,822	1,498
Carried forward	137,160	137,206	136,970

* After depreciation: 1936, \$3,567,151; 1937, \$3,894,469; 1938, \$3,781,990. † After depreciation: 1937, \$1,257,598; 1938, \$1,246,687.

Other income, after providing for depreciation, has fallen markedly from \$11,629,711 to \$7,363,673. Dividend receipts show the expected setback, due mainly to the fall of \$1,682,500 in Consolidated Mining and Smelting dividends. But steamship earnings have slumped from \$2,458,832 to \$591,071, after providing a slightly reduced sum for depreciation last year, and there is a further sharp fall in hotel and communications income to \$412,865. The combined loss of revenue under these heads accounts for the bulk of the fall in total income from \$35,371,958 to \$28,116,139. No reduction in the interest obligations for Minneapolis, St. Paul and Sault Ste. Marie first mortgage bonds became effective last year—Canadian Pacific's liability actually expired on July 1st last. Hence a charge of \$2,085,818 is made in respect of interest guarantees, although no provision is required from surplus to reduce the investment in the "Soo" line in respect of advances. Sir Edward Beatty has argued that provisions for loss on lines abandoned (reduced last year from \$2,495,362 to \$1,402,349) should exert no influence on dividend policy. Yet it is difficult entirely to dissociate the passing of the preference dividend from this factor. To date, the company shows a loss of \$794,000 in gross receipts, but on the other hand considerable savings will arise from the lapse of the main "Soo" guarantees, which will in future apparently leave a maximum annual charge of \$1,273,830. This reduction, however, scarcely compensates for the lack of encouraging features in last year's operating results.

* * *

Lever Produce Companies.—Before the end of the 1936-37 financial period, it was already apparent that produce and merchandising companies in West Africa were facing a difficult time. The cocoa hold-up, low prices, and the exceptionally high stocks held by trading concerns presented a formidable combination of difficulty, which in the case of United Africa Co. has overlapped two financial years, with somewhat paradoxical results. Normal prosperity in the earlier part of 1936-37 more than offset the effects of low prices and the hold-up, and trading profits rose from £1,752,744 to £2,127,412. Last April, producers

began to release the cocoa crop, but, since prices have continued to be very low, the increase in trading has been accompanied by a halving of profits to £1,066,130, while the dividend is reduced from 11 per cent. to 6½ per cent. Roughly half the fall in total profits was due to merchandise and produce business in West Africa, and profits from the ancillary businesses actually rose from £670,990 to £767,672. The consequences for African and Eastern Trade Corporation, thanks to the 6½ per cent. payment only barely covered by earnings, have been tempered, although total profits are reduced to £105,905 against £184,129. The available surplus, however, is sufficient to pay only 8 per cent. on the 12 per cent. non-cumulative preferred ordinary shares, and the ordinary stock receives nothing, against 11 per cent. The decline in United Africa profits falls more heavily on the controlling company, Niger Co., whose net profits have dropped to £186,565, against £982,640. The general reserve is re-instated with an allocation of £300,000 (the reserve was used up a year ago by the £2,875,000 bonus issue), but this transfer involves a reduction in the carry-forward. Results such as these are in contrast with the satisfactory trading in 1938 of the Home and Colonial retail trading group. This week the preliminary statements of three of the four companies have been followed by the full reports, and by the Lipton results, which show a rise in total profits from £158,253 to £197,113. A feature of the Maypole Dairy balance sheet is the rise in cash holdings, since January, 1937, from £141,000 to £583,000.

Crown Mines.—There are no surprises in the report of the Rand's largest gold producer. Tonnage milled during the year, at 4,237,000 tons, showed a decline of 21,000 tons, but the yield was slightly increased at 1,026,666 fine ounces, due to an increase of .041 dwt. in the yield per ton. Notwithstanding this and a rise in the revenue per ton by 8d. to 34s. 6d., the working profit came out at only 14s. 7d., a decline of 2d., due to a rise in working costs of 10d. per ton. Some £43,020 less was required for taxation; but the net profit was £23,562 lower at £1,858,258. This covers the dividend maintained at 19s., with a small margin and, after providing £59,169 for capital expenditure, leaves an unappropriated balance of £62,779, representing a decline of £12,759. One penny of the increased costs is due to the expenditure of 1s. 54d. per ton on development as against 1s. 44d. in the preceding year. The development footage accomplished, however, was slightly lower at 144,995 feet. Development results showed no marked change and were generally satisfactory. A minor feature of interest is the increase in the ore mined from the Main Reef which in 1938 formed 5.9 per cent. of the total as against 5.5 per cent. The tonnage is drawn principally from two reefs, the Main Reef Leader and the South Reef. Thirty years ago, as much as 25 per cent. was obtained from the Main Reef. This fell to only 1 per cent. in 1931, but it has since been gradually rising. The reduction in the pay limit has led to a revival of interest in this reef and more active exploration is being undertaken. Last year the chairman stated

that in the vicinity of the No. 4 shaft down to the fixed level some encouraging values had been encountered, and that work in this direction might eventually result in a not inconsiderable tonnage becoming available for inclusion in the ore reserves. The present report shows that the No. 2 shaft has been re-equipped with headgear and winding plant and is being re-timbered for use in opening up and mining the Main Reef in the upper levels of the Eastern section of the mine. Ore reserves at December 31, 1938, show an increase of 501,200 tons, but a decline of 0.1 dwt. in value. Available ore reserves, excluding shaft and safety pillars, at 20,051,400 tons, are five years ahead of the mill. The 10s. shares at 15½ yield 6 per cent., and this moderate return, not seasoned by the prospect of any expansion programme, reflects the reliable technical position and long prospective life of the mine.

The Week's Company Profits.—This week our usual analysis of profit and loss accounts, appearing on page 595, comprises 65 companies, excluding banks and businesses for which comparable figures are not available. Net profits of these companies are £10,981,000 (a high figure due largely to the inclusion of electricity companies, and several Unilever companies) against £12,415,000, a decline of 11½ per cent. Aggregate net profits of the 495 companies reporting to date in 1939 are £65,363,000, or 9½ per cent. lower than the £72,068,000 earned a year ago. The week's results are discussed in preceding Notes and on page 580 under the heading "Shorter Comments."

Company Meetings of the Week.—In this issue reports of company meetings begin on page 585. At the *North Metropolitan Electric Power Supply Company* meeting Sir James Devonshire pointed out that the combined total capital expenditure of the company and its two subsidiaries was £14,630,887 and further extension of the Brimsdown "B" generating station had been begun. Mr C. B. Colston, in his address to *Hoover* members, stressed the attention the company paid to research. Since 1921 over £1,000,000 had been spent on this purpose. The different branches of the company's work were reviewed by Mr Colin F. Campbell at the *Telegraph Construction and Maintenance Company* meeting. Despite a reduced demand for miscellaneous cables, that branch had maintained its financial results owing to improved organisation. At the *London and Lomond Investment Trust* meeting the Hon. W. B. L. Barrington pointed out that the reduced income was due in part to the policy of seeking greater stability as a protection against depression in the future. Addressing *Consolidated Mines Selection* members, Mr S. S. Taylor discussed the promising nature of their Grootvlei Proprietary interest, which was expected to pay a first dividend this year. At the *Illustrated Newspapers* meeting Lord Southwood pointed out that the satisfactory results for 1938 had been in part due to the exceptionally good profits of *Illustrated London News* and *Sketch*, Ltd., in 1937, when the special Coronation issues proved extremely profitable.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
MARCH 21	MARCH 23

THE first political shadows which fell on the market on Monday and Tuesday this week gave no hint of the storm which was to follow. It is true that the immediate consequence has not produced an extreme wave of selling, but a relatively considerable marking down of prices has occurred. The *Financial News* index of ordinary shares which stood at 88.0 at the end of last week,

had fallen by Thursday's close to 84.9—a sharp movement, but in no way suggestive of panic. If it is conceded that the market was in any case ripe for a technical reaction, after a rise of nearly 20 per cent. in the previous five weeks, the week's falls are far less extreme than their provocation.

In the *gilt-edged market*, nervousness was marked on Monday by falls ranging from ½ to ¾, but after initial losses, ranging from ½ on Tuesday, the irredeemable stocks closed unchanged. For the greater part of Wednesday, relatively steady conditions prevailed, until shortly before the close, when a bout of professional selling depressed the undated stocks to the extent of half a point. After further marking down at

the opening on Thursday, *gilt-edged* became steadier, War Loan closing unchanged at 97½. Home corporation stocks remained relatively firm, and earlier in the week, at least, some demand was reported for New Zealand stocks.

In the *foreign bond market*, Czech bonds were marked down in sharp steps and subjected to a fair amount of selling. The 8's started the week at 69, had fallen to 47 by Wednesday, and on Thursday slumped further to 39½. German loans also weakened but to a relatively moderate extent, the Young Loan reaching 29½. In mid-week Roumanian bonds fell back in sympathy. Brazilian issues were unsettled. They relapsed from the previous week's

firmness, recovered and then weakened again.

Home rails began in uninspiring fashion, but returned to favour on traffic hopes. In mid-week, the predominance of politics and slight disappointment with the traffics brought some reaction. The preference stocks did best in the rally and were the worst sufferers in Wednesday's setback. Early brightness in Argentine rails on news that combined services were now permissible was soon extinguished by the market's other preoccupations. Brazilian rails reacted after some speculative support.

The effect on *industrials* of European developments has been to wipe out a proportion of the advances recorded over the past month. But although on the whole prices have sagged persistently owing to precautionary marking-down and lack of buyers, there has been no real selling pressure, and business has been quiet. There is a greater tendency to await developments than to take alarmist views.

Iron and steel shares were not unaffected by the general weak tendency, but were relatively resistant, and net losses were nearly always small. Neepsend Steel made a delayed response to the increased interim. Coal shares also were a firm but neglected market. The engineering section was easier for choice, though Hawthorn Leslie improved on the dividend announcement. Electrical equipment issues were dull. Motors made a mixed showing, for they lost ground on Monday in spite of the registration figures, then became steadier, while in mid-week there was renewed uncertainty. Aircraft issues weakened further on prospects of profit limitation. Early in the week textiles reacted from their previous strength, but picked up considerably later on. In the rayon group, Courtaulds advanced on news of the "Nylon" developments, but gave way after the meeting. Breweries were irregular, and movements mostly downwards. Tobacco shares also lost ground, but movements were small. Stores and provision and catering issues followed the general trend. Miscellaneous issues were irregular and prices sagged on the whole. After the reduced dividend, Pinchin Johnson ended lower on balance after some fluctuation. Dunlop Rubber rose on dividend hopes, but reacted on profit-taking.

Leaders in the *oil market* showed resistance at times, but the tone was somewhat heavy. There was considerable business in Mexican Eagles on hopes of settlement of the Mexican dispute, but in mid-week quotations were more irregular in the absence of specific news.

The broadening of interest apparent in recent weeks in the *rubber market* was checked. Selling was only scattered, though lack of buyers led to a small but general marking down. Apart from an unexpected show of interest on Tuesday, tea shares were neglected and mostly lower.

The *mining market* succumbed to general influences. Prices sagged, the amount of business was small, and the tone altogether hesitant. In Kaffirs, the developing mines proved the most sensitive. The volume of selling never became large, but most prices gave way. West African issues were quiet in common with other sections. No interest

was shown in Rhodesian coppers, which tended to slip back, and other base metals were similarly weaker.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
Mar. 10	9,410	6,230	88.0	121.7
Mar. 13	9,375	6,925	87.1	121.6
Mar. 14	8,215	8,315	87.1	121.6
Mar. 15	6,890	8,550	86.5	121.3
Mar. 16	7,475	9,705	84.9	120.9
High...	...	...	88.0	123.5
Low...	...	...	Mar. 10 73.7	Jan. 3 119.9
			Jan. 27	Jan. 30

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 160 industrial equity prices stood on Tuesday, March 14, at 66.0, compared with 65.3 a week ago, and 61.0 a month ago. The average yields are 5.48, 5.50 and 6.18 per cent., respectively. A selection of the component indices follows:

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1939 High
	Feb. 14, 1939	Mar. 7, 1939	Mar. 14, 1939	
Insurance (10)	111.4	114.3	116.8	116.8
Inv. Trusts (9)	44.8	45.5	46.4	46.4
Aircraft mfg. (5)†	91.0	90.1	86.1	86.7
Bldg. mats. (6)	70.8	76.6	75.6	76.6
Cotton (5).....	21.0	24.0	27.6	27.6
Home rails (4)	30.2	41.6	43.3	43.3
Shipping (7)...	13.7	14.0	15.4	15.4

† Dec. 30, 1938 = 100.

Group	Yield %			Price 1939 Low
	Feb. 14, 1939	Mar. 7, 1939	Mar. 14, 1939	
Insurance.....	3.83	3.76	3.68	109.7
Invest. trusts	5.72	5.63	5.54	44.6
Aircraft mfg. ...	8.62	8.70	9.11	86.1
Bldg. mats.	7.75	7.07	7.16	64.9
Cotton.....	3.80	3.48	3.36	20.6
Home rails.....	12.01	0.43	0.42	29.5
Shipping.....	4.65	4.53	4.24	13.4

New York

WALL STREET's reaction to European news came rather late, but it was corresponding violent when news of the

cancellation of the Anglo-German trade talks brought full realisation of what was happening. The tendency on Monday was dull and slightly weak, the market only devoting half its attention to the Czech situation, and preferring to await the President's Relief Message to Congress before deciding which way to jump. In the event the Message did not really clarify the Administration's intentions concerning appeasement, nor did the remarks on relief cause surprise, while Czech news restrained speculators. But in spite of the lack of really fresh developments, the market recovered some of Monday's small losses, largely on rumours of a plan to reduce margin requirements on stock commitments. On Wednesday, however, prices broke sharply in a wave of indiscriminate selling. In the afternoon, the retreat became much more orderly and further losses were not severe, but the Dow industrial index was almost 3½ points down on the day. Specific business news was neglected, owing to preoccupation with politics. Rails, however, were weak on Monday on failure of the New Jersey railroads to obtain a review of the New Jersey tax case. Steel mill activity for the current week is estimated by the American Iron and Steel Institute at 55.7 per cent. of capacity against 55.1 per cent. a week ago.

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

	1939		Mar. 1, 1939	Mar. 8, 1939	Mar. 15, 1939
	Low Jan. 25	High Jan. 4			
347 Ind'l. ...	103.2	114.5	108.9	111.8	105.1
32 Rails.....	27.0	32.5	30.4	31.7	29.5
40 Utilities...	80.3‡	88.3†	86.5	88.3	86.4
419 Stocks...	87.4	95.6	92.5	95.0	87.9
Av. yield * ...	3.79% High	3.31% Low	3.64%	3.53%	3.66%

‡ January 11th.

* 50 Common Stocks. † March 8th.

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

Mar. 9	Mar. 10	Mar. 11	Mar. 13	Mar. 14	Mar. 15
126.4	127.2	126.5	125.6	126.2	122.7
1939 High: 130.3 January 4th. Low: 112.5 January 26th.					

FIFTEEN MOORGATE UNIT TRUSTS

Enable comparatively small sums to be spread over a considerable number of market leaders arranged in carefully planned groups.

	SPREAD No of Stocks and Shares in Portfolio	YIELD Gross Approx. Last Dividends Current Prices
A General Portfolio		
INVESTORS' 2nd GENERAL	27	8½%
Unique Savings Facilities		
SAVINGS UNIT TRUST	28	4½%
Protection against possible Currency Inflation		
INVESTORS' GOLD SHARE TRUST 15		7½%
Household Goods and Services		
PROVIDENT INVESTORS' TRUST 30		5½%
Completely Flexible Management Powers		
INVESTORS' FLEXIBLE TRUST 124		6½%

Sub-units in the following closed '15 Moorgate' Trusts can now only be purchased as and when offered for sale by existing sub-unit holders. Investors' General Trust, Investors' Gas and Electric Trust, Security First Trust.

More than £10,000,000 has been invested in '15 Moorgate' Unit Trusts—80% of it through members of the London & Provincial Stock Exchange. Gross Dividends already distributed exceed £1,400,000.

Write for free booklet No. E.10 to

FIFTEEN MOORGATE UNIT TRUSTS LIMITED
15 Moorgate, London, E.C.2

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	
Mar. 9	1,360	11,430	230
" 10	1,210	11,820	227
" 11*	530	5,440	118
" 13	650	6,980	141
" 14	690	6,890	136
" 15	1,110	7,180	202

* Two-Hour Session.

New York Prices

	Close Latest	Close Latest
	Mar. 9, 1939	Mar. 16, 1939

1. Rails and Transport

Atchafalaya	39½	36½
Balt. & Ohio	7½	6½
B.M.T.	11½	10½
Can. Pacific	5	4½
Ches. & Ohio	40	36½
C.N. Ry. P.	29½	27
Illinois Cent.	18½	18
N.Y. Central	21	18½
Norfolk	13	11½
Pennsylv. R.	23½	21½
Southern Pac.	19½	17½
Southern Ry.	21½	19½
Union Pac.	103½	100
Greyhound	21½	20½

4. Manufacturing

Briggs	28½	26*
Chrysler	84½	79½
Gen. Motors	35½	36*
Hudson Mtr.	51½	49
Nash-Kelvin	8½	7½
Packard Mtr.	4½	4
Bendix Avtn.	27½	25½
Boeing Airpl.	30	28½
Douglas Air.	72	70
United Aircraft	38½	38½
Air Reduction	60½	56½
Allied Radiom.	180*	173
Col. Carbon	90	89
Dupont	154½	152½
Un. Carbide	86*	85½
U.S. Ind. Alc.	25½	23½
Allis-Chalmers	46½	44½
Gen. Electric	42½	40½
Westingh. Elec.	114½	111
American Can.	95½	91
Addressograph	26½	26
Caterpillar	53½	52
Cont. Can.	42½	41
Ingersoll Rnd	110½	111
Int. Harvester	60½	64½
Johns-Manville	97½	93
Am. Radiator	17½	15½
Corn Prods.	66	65½
J.I. Case & Co.	94½	92
Glidden	23½	21
G. Am. Trans.	59	55
Allied Stores	10½	10
Celanese of A.	23	22½
Ind. Rayon	27	25
Colgate Palm.	15½	15
Eastm'n Kdk	176	174½
Gillette	75*	74
Loew's	49*	47½
20th Cen. Fox	24	21½

2. Utilities and Communications

Am. W. Works	13½	12½
C. & S.	34½	32½
Con. Edison	34½	32½
Col. Gas & El.	8½	7½
El. Bond & Sh.	12½	11
Nat. Pwr. & Lt.	9½	8½
N. American	26*	24½
Pac. Gas & El.	33½	33
Pac. Lighting	48½	49
Pub. Serv. N.Y.	37½	36½
Stan. Gas & E.	3¼	3¼
United Corp.	3½	3¼
Un. Gas Imp.	13	12½
Amer. Tel.	165½	162½
Inter. Tel. For.	9½	8½
Westn. Union	23½	21½
Radio	8½	7½
" B. Pref.	67½	67

3. Extractive and Metal

Am. Rol. Mill	19½	18
Beth. Steel	75½	74
Beth. Steel P.	114½	114½
Republic St.	22½	20½
U.S. Steel	64½	60½
U.S. Steel P.	119	119
Alaska Pneu	9½	9
Am. Metal	38½	37
Am. Smelting	49½	46
Anacosta	31½	28½
Boh. Alum.	26	25½
Cerro de Pas.	44½	41½
Int. Nickel	54½	50½
Kennecott	40½	36½
Patino Mines	11½	11
Tex. Gfr. Sul.	30½	30½
U.S. Smelt.	59	58
Vanadium	27½	26½
Atlantic Refg.	22½	22
Phillips Petr.	40½	40½
Shell Union	14	13½
Shell Un. P.	106*	105
Socony Vac.	13½	13
Stan. Oil Cal.	28½	29½
Stan. Oil N.J.	50½	48½
Texas	44½	43½

5. Retail Trade, etc.

Mont. Ward	53½	52½
F. C. Coney	86½	87½
Sears Roebuck	75½	75½
Walgreen	18½	18½
Woolworth	49½	49½
Borden	21	20½
Gen. Foods	41½	41½
Kroger Grcy.	24½	23½
Nat. Biscuit	27½	26½
Nat. Dairy	15½	15½
Am. Tob. B.	88	85½
Lorillard	23½	23½
Reyn. Tob. B.	38½	38½
Nat. Distillers	28½	27½
Schenley Dis.	17½	16½

6. Finance

Comcl. Credit	55½*	54
Atlas Corp.	8½	8½
Com. Inv. Tr.	58½*	58

* xd

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
March 18			
To the Public	Nil	Nil	Nil
To Shareholders	16,604	Nil	26,564
By S.E. Intro.	Nil	Nil	Nil
By Permis. to Deal	702,526	Nil	627,562
Sav. Certs., week ended Mar. 11	Dr. 150,000	Nil	Dr. 150,000

Year to date	Including Conversions	Excluding Conversions
1939 (New Basis)	30,235,001	30,158,136
1938 (New Basis)	52,118,775	38,814,268
1939 (Old Basis)	18,910,416	18,833,551
1938 (Old Basis)	37,446,595	25,391,193

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	21,762,655	8,255,481	200,000
1938 (New Basis)	29,583,702	6,801,337	2,429,229
1939 (Old Basis)	15,146,195	3,487,356	200,000
1938 (Old Basis)	18,896,594	4,095,475	2,398,124

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	16,210,369	1,400,046	12,547,721
1938 (New Basis)	18,461,099	3,432,846	16,926,323
1939 (Old Basis)	13,037,635	712,697	5,083,219
1938 (Old Basis)	14,084,122	2,135,722	8,171,349

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

Full-Fashioned Hosiery Company.—Particulars of issue of £100,000 5 per cent. first mortgage debenture stock, redeemable at par by July, 1950, by drawings from 1940. Messrs. Robert Benson and Company take the issue at par.

Lewis's Investment Trust.—Particulars of issue of 500,000 5 per cent. cumulative second £1 preference shares. Lewis's Bank, Ltd., take half the issue, and Messrs. Cazenove Akroyds and Greenwood and Company the remainder, at par less 3d. in each case.

PRIVATE PLACING

Sheffield and District Gas Company.—Placing of £500,000 4 per cent. debenture stock 1959-64, of which £485,000 is required for repaying mortgages due July, 1939.

FORTHCOMING ISSUES

Squires Gate Blackpool Holiday Camp.—Lists will open and close on March 21st for an issue of 100,000 6 per cent. redeemable cumulative £1 preference shares at par and 168,320 5s. ordinary shares at 6s. 3d. Profits: 1936, £7,024; 1937, £14,036; 1938, £12,915. After extensions, etc., expected profits £31,400.

S. Guiterman and Company.—Lists will open and close on March 22nd for an offer for sale of 55,000 6½ per cent. cumulative participating redeemable £1 preference shares at par, and 299,930 2s. ordinary shares at 2s. 3d. Distributors of machine tools, motor parts, etc. The offer will contain a 30-year table of profits; profit for 1938 was £26,223.

SHORTER COMMENTS

Company Results of the Week.—Among financial trusts, LAW LAND COMPANY repeat the 9 per cent. dividend, despite a small decline in profits. In the engineering group, DAVIS & TIMMINS net profits have fallen from £42,922 to £33,950, and the dividend is reduced. London stores reports continue to show reduced profits. The trading profits of FREDERICK GORRINGE amount to £33,860 against £38,538, while MAPPIN AND WEBB, who maintain the dividend, have also experienced a slight reduction in earnings. A reduction in BRITISH OIL AND CAKE MILLS net profit is entirely due to higher taxation, for total profits are slightly larger at £775,288. Assets of subsidiaries are now included in the parent company's balance sheet, which reaches a total of over £9,500,000. Last year, BRITISH THOMSON - HOUSTON COMPANY received a rather lower volume of orders than in 1937, but actual output reached a new high record, and net profits are slightly higher at £580,987 against £573,168. INVERESK PAPER resume dividends with a 6 per cent. distribution, though net profits are a trifle lower owing to increased taxation. Consolidated total profits, however, amount to £745,005 against £814,555, for higher costs and reduced demand for paper were only in part offset

by economies arising from capital expenditure. PEEK FREAN, whose accounts are again presented in the improved form adopted a year ago, report a sharp recovery in total profits, from £72,192 to £115,808, a figure which surpasses the 1936 level. The report of UPSONS, LTD., provides another example where a slight reduction in net profits is entirely due to higher taxation. Total profits are some £7,000 higher at £183,567, after allowing for the fact that part of the 1937 earnings was of a capital nature. The reduction in PINCHIN JOHNSON AND COMPANY net profits from £293,593 to £199,882 is of some magnitude. Sales were well maintained in 1938 until the end of May, and recovered in November, but in the intervening period business fell off decidedly.

BANKS

Imperial Bank of India.—Net profit for half year to December 31, 1938, is Rs. 39,35,096, against Rs. 36,90,102 for same half year in 1937. Dividend 12 per cent. per annum, tax free, as before, absorbing Rs. 33,75,000. To reserve, Rs. 2,50,000 (nil). To pensions, Rs. 70,000 (Rs. 38,600). To premises, Rs. 2,50,000 (same). Carry forward, Rs. 30,40,043 (Rs. 30,41,605).

The Yokohama Specie Bank, Ltd.—The accounts for the half year ended December 31, 1938, show net profit Yen 16,683,793, including Yen 10,422,028 brought forward from the preceding half-year. The amount was distributed as follows: To reserve fund, Yen 1,250,000; dividend at 10 per cent. per annum, Yen 5,000,000; balance carried forward Yen 10,433,793. Total reserve fund, Yen 138,400,000.

Anglo-Portuguese Colonial and Overseas Bank.—Net profit for year to January 31, 1939, £227 (£16,076); forward, £65,808 (£65,581). Balance sheet shows deposits, £1,669,517 (£1,261,680); acceptances, £786,374 (£803,801); cash, £814,438 (£590,214); balances with banks abroad, £104,595 (£50,716); bills discounted, £1,028,467 (£874,025); investments, £469,796 (£540,497); advances, £500,983 (£304,322).

MISCELLANEOUS

Meadow Dairy.—Full report shows trading profits of £159,065 for 53 weeks, against £156,346 for 52 weeks. Net profits, £141,611 (£139,341); tax, £14,000 (£12,000); N.D.C., £4,500. To staff fund, £10,000 (same); ordinary dividend, 5 per cent. (same). Carry forward, £50,808 (£39,022).

Lipton, Ltd.—Full report shows total profits of £197,114 for 53 weeks (£158,253 for 52 weeks). Net profits, £79,248 (£38,403); tax, £5,000 (£12,000); N.D.C., £2,000 (£500). Dividend of 6 per cent. absorbs £67,500; in 1937, £25,903 balance of profits was distributed. Carry forward, £4,748.

Maypole Dairy.—Full report shows trading profits for 53 weeks of £420,840, against £373,362 for 52 weeks. Net profit, £395,709 (£346,946); tax, £35,000 (£25,000); N.D.C., £15,600 (£10,650). Deferred ordinary dividend 2 per cent. higher at 9 per cent.; provident fund receives £20,000 (£15,000); to reserve, £10,000 (same). Carry forward, £302,579, against £289,220.

Home and Colonial Stores.—Full report shows that trading profits have risen from £267,028 (for 52 weeks) to £349,285 (for 53 weeks). Dividends received, £34,252 against £28,791; total profits, £384,053 against £296,494. Net profits are £89,381 higher at £321,174, before tax. Tax, £34,000 (£24,000); N.D.C., £5,600 (£3,000); staff fund, £20,000 (same). Ordinary dividend 3 per cent. Carry forward, £188,931 to £208,914.

Thos. Firth and John Brown, Ltd.—Net profit for 1938, £515,056, against £537,681. Final ordinary dividend, 11½ per cent., free of tax, making 17½ per cent., free of tax, for 1938 (the same).

Industry and Trade

A Scottish Iron and Steel Merger.—The proposed fusion of the interests of William Baird and Company, Limited, and the Scottish Iron and Steel Company, Limited, announced last Saturday, is a further step in the consolidation of the iron and steel industry in Scotland. Messrs William Baird and Company were not previously associated with the steel industry, their activities being confined to the mining of iron ore in Sierra Leone and Spain, of coal in Scotland, and to the manufacture of pig iron at the Gartsherrie Works, Coatbridge. The Scottish Iron and Steel Company, Limited, was originally formed in 1912 by the fusion of thirteen firms engaged in the manufacture of wrought iron in the Motherwell and Coatbridge districts of Scotland. Wrought iron is still manufactured in the puddling furnaces of the company at its Waverley, Rochsolloch, Woodside and Coats works in Coatbridge, but the decline in the demand for iron in recent years turned the activities of the firm increasingly to steel-making. By this fusion of interests Messrs Baird have assured a steady outlet for at least a portion of their pig-iron production, backed by extensive raw material resources. They have always enjoyed a large share of the important trade in foundry pig iron used by the makers of domestic cooking and heating appliances in the Falkirk district and by the makers of cast-iron pipes, rhones and gutters in the Possilpark and Maryhill districts of Glasgow. Some years ago Messrs Baird offered coke-oven gas to the Glasgow Corporation at a price with which the municipal undertakings could not compete, but the proposal was turned down by the Socialist majority in the city council. The problem of finding an outlet for the surplus coke-oven gas may now be solved by its conveyance by pipe-line from Gartsherrie to the Northburn steelworks, the distance between the two plants being just over a mile. It is even possible that molten pig-iron may be conveyed by rail to the steelworks. The assurance of adequate supplies of pig iron, both for puddling and for steel smelting, is of considerable importance to the Scottish Iron and Steel Company at a time when there is again a possibility of a raw material shortage. Scrap supplies have been declining, and the anxiety of the steelmakers to prevent another shortage is revealed by the fact that a delegation has been sent to the United States for the purpose of buying scrap. It may be noted, in passing, that in the light of the present position the selling of both scrap and pig iron at a loss to Germany last autumn revealed a singular lack of prevision.

It will be interesting to see whether and how far the new combine will be able to expand its steel-making activities. The Colville group, firmly entrenched in Scotland, is associated with the shipbuilding and engineering firms of Harland and Wolff, John Brown and Company, The Fairfield Shipbuilding and Engineering Company, Lithgows, Babcock and Wilcox, and others, but there are still "independent" yards such as those of the Scotts Shipbuilding and Engineering Company at Greenock, and of the Caledon and Burntisland Shipbuilding companies on the East Coast of Scotland. In the constructional steel industry, Redpath, Brown and Company are associated with Dorman Long and Sir William Arrol and Company with the Colville group, but there are still "unattached" firms like A. & J. Main and Company, the Glasgow Steel Roofing Company, and William Bain and Company of Coatbridge, all of whom are important consumers. The new combine appears to be to the mutual advantage of its two constituent members and since the fusion is expected to lead to a reduction in costs, its prospects appear not unpromising, especially as it is possessed of substantial liquid capital resources.

Fall in Merchant Shipbuilding.—The Government is expected shortly to disclose its policy concerning the shipping and shipbuilding industries. Meanwhile, the position of the shipbuilding industry continues to deteriorate. The following table, based on the *Shipping World's* estimate, shows the tonnage of ocean-going merchant vessels under construction at the end of last February and a year ago:—

MERCHANT VESSELS UNDER CONSTRUCTION (In thousands of gross tons)

District	Liners		Cargo Vessels		Tankers	
	Feb., 1938	Feb., 1939	Feb., 1938	Feb., 1939	Feb., 1938	Feb., 1939
Clyde	239	173	54	...	127	78
Scottish outports	31	26	40	...	...	7
North-east Coast	125	51	178	54	155	70
Rest of England	78	34	...	...	16	8
Belfast	114	84	...	...	8	...
Total	588	369	272	59	306	163
Of which launched	106	203	52	22	3	68
Of which on stocks or order	482	166	220	37	303	96

The total number of ocean-going merchant vessels under construction at the end of last month was only 61, against 150 a year ago, and their tonnage has fallen from 1,165,936 gross to 591,364 gross. Moreover, a substantial proportion of the vessels still under construction have already been launched. In the absence of an early increase in new orders, the volume of merchant work on hand will soon be insignificant.

Cotton Spinners' Price Scheme.—The committee of the American cotton spinners in the Lancashire cotton industry have recently had under consideration the details of a price scheme for all yarns made from American cotton. The scheme will affect some 200 mills, controlling 20 million spindles. The stage has now been reached when draft proposals have been drawn up, and after slight modifications at a meeting this week the scheme is now ready for circulation to the trade. The prospects of what would be the most comprehensive agreement yet concluded have heightened with the improvement in Lancashire trade, which has already led to an advance in American yarn prices. This week the Lancashire Cotton Corporation raised its prices for certain qualities by another ¼d. per lb., the second increase within a fortnight. If the scheme obtains sufficient support, the new rates will be brought into force immediately. The wider implications of the growth of cartelisation in British industry are discussed in an article on page 551.

Polish Coal Exports.—At the recent meeting in Paris of representatives of the British and Polish coal owners no alterations were made in the existing Anglo-Polish agreement, but its future application and its adaptation to the prospective European coal agreement were

OTARD'S EST. 1795
V.S.O.P.
LIQUEUR BRANDY

MATURED AND BOTTLED AT CHATEAU DE COGNAC

discussed. In view of the imminent resumption of the talks the following details of the trend of Polish coal exports during the last four years may be of interest:—

POLISH COAL EXPORTS

	1935	1936	1937	1938
Total exports (thous. metr. tons)	8,906	8,362	11,003	11,669
Value (thous. zloty)	131,136	129,865	185,048	217,416
Value (zloty per ton)	14.72	15.53	16.82	18.63
Exports (thous. tons) to:—				
Czecho-Slovakia	212	30	48	476
Germany	7	6	1	782
Hungary	3	11	16	43
Exports to above countries as a percentage of the total	2.5	0.6	0.6	11.2
Bunker exports (thous. tons)	567	645	1,146	1,786

During the last few months of 1938 Polish coal exports rose sharply; they were 3.4 million tons during the last quarter of 1938, against 2.9 million tons in the previous quarter. This increase, due to the acquisition by Poland of the former Czech Karwin mines, found its way almost entirely back to Czecho-Slovakia, although exports to Hungary also rose substantially. Since exports to these countries are not included in the quota scheme under the Anglo-Polish agreement, no major disturbances of the pact are to be expected for the time being. The latest developments in Czecho-Slovakia, however, will raise new problems with regard to the sale of the additional Polish coal output.

* * *

Overseas Trade in February.—The value of British imports declined sharply between January and February, by £10 millions, but about half of this fall can be ascribed to the shorter working month. There was also a fall in the volume of imports of many industrial raw materials, reflected in the drop in *The Economist* index of raw material imports (1935 = 100) from 94½ in January to 92 in February. The value of British exports was 1.3 per cent. higher in February than in the corresponding month a year ago, but this rise was entirely due

U.K. IMPORTS AND EXPORTS
(£000)

	1937	1938	1939	Change between 1938 and 1939
February				
Total Imports	71,712	75,794	65,516	-10,278
British Exports	38,572	37,559	38,052	+ 493
Re-exports	6,928	5,528	4,772	- 756
Total Exports	45,500	43,086	42,825	- 261
Excess of Imports over Exports	26,212	32,708	22,691	-10,017
Transshipments under bond	3,092	2,461	2,349	- 112
Two Months ended February				
Total Imports	147,331	160,633	140,905	-19,728
British Exports	77,656	78,744	77,530	- 1,214
Re-exports	12,030	10,323	9,366	- 957
Total Exports	89,685	89,066	86,895	- 2,171
Excess of Imports over Exports	57,646	71,567	54,010	-17,557
Transshipments under bond	6,041	5,319	5,161	- 158

to the export last month of three warships, valued at £1.8 millions; if this item is excluded, the value of British exports fell by 2.4 per cent., compared with February, 1938. Compared with the previous month of January, the value of British exports showed a slight decline, but when allowance is made for the shorter month,

The Economist index of the exports of British manufactures (1935 = 100) rose from 100 in January to 105½ in February; about half of this rise must be ascribed to the greater tonnage of warships exported.

* * *

Overseas Trade in Commodities.—The revival in the iron and steel trade is reflected in the rise in imports of iron and steel scrap, and imports of wool also showed a slight increase between January and February, but imports of most of the other commodities included in the first table given here were smaller in February than in

RETAINED IMPORTS—MONTH OF FEBRUARY

Item and Measure	1937	1938	1939
Wheat	10,008	7,100	9,762
Beef and veal	811	869	931
Mutton and lamb	578	605	449
Sugar (unrefined)	2,724	3,817	3,821
Iron ore and scrap	536	798	3,237
Raw cotton	1,161	1,367	694
Sheep's and lambs' wool	590	478	881
Flax, hemp and jute	40,115	31,151	27,495
Crude petroleum	22,142	39,603	43,766
Hides, wet and dry	105	98	95
Wood pulp	106	154	103
Rubber	—5	369	111
Unwrought copper	21,229	20,068	23,976
Pig lead	28,984	28,817	26,803
Tin: Ore and concentrates	4,405	4,943	4,234
Blocks, ingots, slabs and bars	609	1,241	264
Iron and steel manufactures	82	230	89
Machinery	11,743	10,972	8,989

BRITISH EXPORTS—MONTH OF FEBRUARY

Item and Measure	1937	1938	1939
Coal	2,610	2,611	2,537
Iron and steel scrap	23,863	5,681	33,210
Pig-iron and ferro-alloys	13,563	7,913	6,350
Railway materials	8,124	12,849	5,644
Total iron and steel manufactures	200,498	156,730	137,520
Textile machinery	4,274	6,765	4,113
Cotton yarns	30,676	35,608	34,599
Cotton piece-goods	12,575	9,996	11,634
Wool tops	160,417	117,440	108,426
Worsted yarns	3,524	2,403	3,486
Woolen tissues	2,145	1,517	1,862
Worsted tissues	7,475	6,046	5,926
Linen piece-goods	3,973	3,326	3,123
Leather boots and shoes	8,134	4,417	5,598
Leather	30,259	31,715	27,578
Paper and cardboard	28,410	13,565	19,228
Locomotives and parts	320,187	267,115	227,328
Motor vehicles and chassis	478	823	758
	8,365	9,161	6,907

January, or than in February, 1938. Similarly, the improvement in these two trades in recent months has been accompanied by an increase in the exports of iron and steel manufactures, of machinery and of woollen tops and yarns, but exports of the other commodities given in the table of exports were generally lower in February than in the previous month.

* * *

America's Oil Reserves.—The oil reserves of the United States seem to be as inexhaustible as the widow's cruse in the Old Testament story. On January 1, 1938, the country's proved reserves were estimated by the American Petroleum Institute at 15,507 million barrels—a barrel being about one-seventh of a ton. In the past year 1,213 million barrels were taken from the ground, yet the latest estimate of the A.P.I., relating to the beginning of the present year, puts proved reserves at 17,348 million barrels. Proved reserves, therefore, rose last year by no less than 1,841 million barrels, although production was only slightly below the 1937 record. This apparent inconsistency is explained by the fact that the A.P.I. figures refer only to reserves which have actually been proved by drilling operations and which are recoverable on a commercial basis by existing methods of production. Low estimates of reserves are assigned to pools which have been insufficiently tested, while no allowance at all is made for potential discoveries in geological structures known to be favourable for the accumulation of oil. With every extension of exploration work and every improvement in methods of production, reserves are therefore increased. Of last year's gross increase of 3,054 million barrels in

proved reserves no less than 2,244 million barrels were accounted for by upward revisions in estimates relating to fields already known a year earlier; the remaining 810 millions were attributable to new discoveries made during 1938.

* * *

In view of the persistence of rumours of an impending exhaustion of the world's mineral oil resources, it may be of interest to note that American reserves were estimated in 1914 at a mere 6,000 million barrels. This figure was alleged to cover oil in all known and possible oil-bearing structures, by whatever method extracted. As recently as 1925, moreover, the first A.P.I. estimate put *proved* reserves as low as 5,000 million barrels. Some 18,000 million barrels of crude oil have been produced since the first of these estimates was made and over 13,000 millions since the second—yet proved reserves are now higher than ever. In the light of this experience, anxiety regarding future mineral oil supplies is clearly unjustified. It is impossible in the present state of knowledge even to guess at the amount of oil actually remaining in the sub-soil of the United States. And there are enormous reservoirs in various parts of the world—in the Near East and Russia, for example—which are likely to remain untouched for years to come.

* * *

Sugar Prospects.—The London price of raw sugar rose by nearly 25 per cent. to about 6s. 4d. per ton in the last two months of 1938, when it became apparent that the very poor European beet crops would lead to a substantial increase in the purchases of importing countries. During the current year prices have moved within narrow limits, and the present quotation at 6s. 3d. per ton is slightly lower than the figures for the end of 1938. The stagnation of the market is partly due to seasonal influences, since the supplies of Empire sugar to the United Kingdom are at a maximum in the early months of the year; the market is also affected by the uncertain prospects for the third quota year, which begins on September 1, 1939. Under the international agreement the quotas for the next season stand at 3,695,000 metric tons. According to F. O. Licht's preliminary estimate, however, free market requirements in 1939-40 will not be higher than 3,183,000 metric tons, of which anything between 100,000 and 150,000 tons may be supplied by non-agreement countries. There is thus a wide gap between the quotas and requirements. Unfortunately, the International Sugar Council's right to reduce the quota by 5 per cent. terminates at the end of this season, and in future cuts in the quotas may only be decided by unanimous votes. Consequently an equilibrium between supplies and requirements can only be achieved by large voluntary surrenders of quotas. There are, however, prospects of an increase in production in a number of countries next season; Germany, one of the largest potential exporters of beet sugar, has just ordered the resumption of sugar exports after an interruption of years in which the country actually imported small quantities of the product. Last week, both the chairman and the secretary of the International Sugar Council visited Prague and Budapest

in order to discuss questions connected with the political changes which occurred in Central Europe last September. Whatever arrangements may have been made during that visit have again been disturbed by the events of the last week. For the season ended in August, 1938, Czecho-Slovakia was allotted an export quota of 323,000 metric tons and did in fact export 320,000 tons, mainly to Italy, Hamburg and Switzerland; it is presumed that her export quota will now be amalgamated with that of Germany.

* * *

Further Rise in British Prices.—The upward trend in the prices of sensitive commodities in this country, which began in the latter part of February, continued during the past fortnight. The improvement is reflected in the slight rise in *The Economist's* price index for primary products as well as in our more comprehensive complete index. The figures for the United States, on the other hand, indicate a lull in the upward movement across the Atlantic. In France wholesale prices have tended to advance, but the latest official German index remains unchanged:—

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					
1936 Dec. 30	131.3	163.9	187.3	166.7	128.8	113.0	116.3†
1937 Dec. 29	127.8	147.4	135.3	164.2	120.5	135.8	143.8
1938 May 25	119.6	132.2	121.9	165.5	117.2	145.6	143.4
June 22	119.3	132.2	124.8	165.8	117.6	147.3	143.8
Aug. 3	119.2	138.0	127.1	167.2	117.4	144.6	142.4
Aug. 31	116.5	133.5	125.0	168.6	116.8	144.9	143.6
Sept. 28	116.2	134.8	127.0	173.0	116.6	146.0	144.2
Oct. 26	116.1	134.9	127.0	171.6	116.6	147.8	145.1
Nov. 23	114.3	132.6	126.0	175.7	116.7	148.7	143.8
Dec. 21	113.7	132.4	126.5	175.7	115.6	148.7	144.0
1939 Jan. 4	114.7	134.8	127.5	177.1	116.0	151.2	144.3
Feb. 1	113.8	132.5	125.9	175.1	115.7	152.7	144.9
Feb. 15	113.6	132.4	124.1	174.6	115.3	153.5	145.1
Mar. 1	114.0	134.5	127.9	174.9	116.4	152.8	145.0
Mar. 15	114.4	135.3	125.0	174.9	116.3*	153.1*	145.0*

* This figure relates to March 11th.

† Monthly average.

Details of the constituent series of *The Economist's* Complete index for this country are given below:—

	(1927=100)	Sept. 18, 1931	Mar. 16, 1931	Mar. 1, 1939	Mar. 15, 1939
Cereals and meat...	64.5	86.5	68.5	68.4	68.4
Other foods	62.2	60.2	59.9	59.6	59.6
Textiles	43.7	56.5	53.5	53.8	53.8
Minerals	67.4	95.4	90.7	91.5	91.5
Miscellaneous	65.8	77.6	74.6	74.7	74.7
Complete index	60.4	74.8	68.9	69.1	69.1
1913 = 100	83.1	103.0	94.9	95.2	95.2
1924 = 100	52.2	64.7	59.6	59.8	59.8

There was a decline, during the past fortnight, in the group indices for cereals and meat and other foods, but a rise in the figures for textiles, minerals and miscellaneous commodities. On the whole, the improvement has not yet gone very far, for many consumers persist in covering only urgent requirements.

INDUSTRIAL REPORTS

WITH a few exceptions, the latest reports from industrial centres remain cheerful. The coal trade is fairly active, except in South Wales, where production is about twelve per cent. below last year's level as a result of the decline in exports. The demand for steel, assisted by defence orders, remains on the up-grade. In South Wales, the iron and steel industry is working almost at capacity, and the rate of operations in the tinplate trade rose from 52.3 per cent. of capacity (as determined by the pooling scheme) during the week ended February 25th to 56.1 per cent. during

the week ended March 4th. The improvement in the cotton industry has been well maintained, demand having been stimulated by the rise in prices. Activity in the wool textile trade has also tended to expand, partly as a result of Government orders, which have also played a part in the revival of the cotton industry.

Coal

Sheffield.—There has been little change on the coal market. A steady call exists for industrial coal. Small

of all grades are plentiful, and most collieries have stocks in hand. Public utility concerns are taking good deliveries under contract, but new business is limited. Business in household fuels is more active. Some improvement is noted in the demand for blast furnace coke, but domestic sorts are less readily taken up. A reduction in the prices of coking smalls is expected shortly.

While there are numerous export inquiries, competition is severe, making new business difficult to secure. Demand for prompt shipment is chiefly

PETROLEUM PRESS SERVICE
SERVICE D'INFORMATIONS PETROLIERES
INTERNATIONALE PETROLEUM-KORRESPONDENZ
the leading weekly on world oil economics
and kindred matters
in English, French and German
published by
PETROLEUM PRESS BUREAU
91/93 Bishopsgate, London, E.C.2
Telephone: National 7233 Cables: Petrolpers, London

TELEGRAPH CONSTRUCTION AND MAINTENANCE COMPANY, LIMITED

ORDERS INCREASED BY 10 PER CENT.

The seventy-fifth ordinary general meeting of the Telegraph Construction and Maintenance Company, Limited, was held, on the 14th instant, in London.

Mr Colin F. Campbell (the chairman) said that the balance of trading account amounted to £68,402, against £67,806 a year ago, thus showing an increase of £596. The actual net profit, after bringing everything into account, was £62,922, so that after transferring £25,000 to reserve for contingencies, the balance remaining was £37,922. The board recommended a final dividend of 5 per cent., making a total return for the year of 10 per cent., the same as for the previous year, leaving £32,439 to be carried forward to next year's account. There was every reason to be satisfied with the results of the year 1938. The total value of the orders executed was about 10 per cent. in excess of 1937, due to large orders for submarine cable.

POWER AND OTHER CABLES

In the power cable branch, although there was a reduction in the turnover, the extension of the building had enabled them to do the work without having recourse to more than a very limited amount of overtime, with the result that the net earnings of the shop showed no diminution. Their metal branch had maintained its output, and that business was becoming well established. As it had started some years ago from very small beginnings and the accommodation provided was neither suitable nor sufficient, the board had decided to erect a new building for that branch of the work. That building had just been completed, the plant installed and the change-over had been effected without interfering with production.

The development of radio relay cables was still retarded by the failure of the Government to come to any decision, and the extension of licences was anxiously awaited by all those connected with the industry. Although there had been a falling off in the demand for their miscellaneous cables, the financial results were equal to 1937 owing to improved organisation in manufacture and that side of their business was again on the upgrade. Their high-frequency cables continued to be in great demand and were very widely used, especially for television purposes. The gutta percha sundries, which included various kinds of articles, such as tissue, treated metal foil, tubes, sheet and bottles, showed an increase of 50 per cent. over 1937.

IMPORTANT ORDERS

The submarine branch, which was owned jointly with Messrs Siemens Brothers, had been working to full capacity during the year. The most important cables manufactured were a second telephone cable between Wales and Ireland, a telephone cable from Dartmouth to Jersey and an important telegraph cable for the French Government. All those were laid most successfully by Messrs Siemens' cable ship "Faraday." The French cable was laid in September, just before the crisis, in almost record time, and a special letter was received from the French Government thanking the Submarine Cable Company and their whole staff for the excellent way in which the whole contract had been carried out. In addition, they had had to manufacture a large amount of cable for Cable and Wireless, Limited.

With the steadily increasing demand for submarine cable, they had had to keep a careful watch on the supply of gutta percha. Manufacture had been restarted on the Selborne Estate in Malaya, which was the property of the company. For a number of years that estate had been kept going with a "care and maintenance" staff, but he was glad to say that they were now getting again into full production, as they had to meet not only the demands of the Submarine Cable Company, but of other companies and administrations which required that product.

Their Submarine Cable Research Committee had continued to do good work and had been engaged in studying new forms of dielectric and improved methods for loading cable. It must be realised, however, that research was a slow business, and in connection with submarine cable, where long tests had to be carried out, practical results could not be obtained quickly.

With regard to the future, he thought he could fairly repeat what he had said a year ago, that they could look forward with confidence to the prospects of the company during the present year, which was especially satisfactory in view of the fact that the company celebrated its seventy-fifth anniversary next month.

The report was unanimously adopted.

HOOVER LIMITED

RECORD SALES

The ordinary general meeting of Hoover Limited was held, on the 15th instant, at the registered office of the company, Perivale Greenford, Mr C. B. Colston (chairman and joint managing director) presiding.

The Chairman, in the course of his speech, said:—The profit on trading on the year is £338,515, compared with £419,807 last year, but in 1938 we increased our depreciation from £43,250 in 1937 to £63,912, and if you agree to the final distribution which the directors recommend there will be a carry-forward of £20,018 which is only £616 less than last year.

In the directors' report we commented on the fact that 1938 was a record year for sales, and perhaps some further explanation should be given to you as to why profits are down in spite of the fact that sales were a record.

Quite early in 1938 it became evident to the directors that it was going to be a difficult year, and we determined that we would do everything possible to keep sales up even if it entailed extra cost, and so we deliberately increased our selling organisation, all of whom, as you already know, are paid a salary. In spite of the difficult conditions at the beginning of the year, our sales responded to this stimulus, but you will understand that a substantial increase in our overhead of this kind must necessarily require a continued increase in sales in order to maintain the same profit. Had sales for the year increased in proportion to the increased effort which was made, I have no doubt that we would have been able to talk to you to-day of a substantial increase in profits, and exactly how much we should blame the international crisis in the autumn for our decrease in profit is very difficult to assess. It is, however, a very substantial figure, as you will realise when I tell you that our decrease in profit for the month of September, 1938, alone compared with September, 1937, was no less than £37,500. I should add here that September is normally a very good trading month.

HIGH REPUTATION OF COMPANY'S CLEANERS

In the prospectus for our preference issue, which was made on March 18, 1937, we referred to the fact that the board had under consideration the manufacture of household appliances other than electric cleaners, and that certain preliminary development work had already been undertaken with that object in view. I have no news whatever to give you in this regard, except to say that one of the main reasons that we have not undertaken the manufacture of another article is because we have been unsuccessful, to date, in finding any other appliance which stands so pre-eminent in its field as our cleaner does in its field to-day, and so the board feel that until they do find such a product they are unwise to risk the splendid reputation which has so far been built up for Hoover Cleaners. I should tell you, however, that development work along this line is still being continued.

It may stagger you to know that since 1921 a sum slightly in excess of £1,000,000 has been spent in research work, and that we are continuing to spend a very large sum every year in perfecting and refining our present products. I hope you will realise that in this we have a definite assurance for the future of this company.

The science of vacuum cleaning has now reached such a stage that it is very improbable for any further development to come except as the result of such intensive development work, and we believe that there is no company in the world carrying out research work towards the improvement of the science of vacuum cleaners even comparable to that which we are doing.

With regard to our manufacturing facilities, the factory is run at an exceedingly high state of efficiency. Our output is now of such large dimensions that it has paid us to manufacture many of the highly specialised components, referred to in our prospectus, which used to be purchased elsewhere.

Competition in this industry is keen, but we do not fear it. It keeps us alert, and our research department will ensure that our product maintains its outstanding leadership within the industry.

THE FUTURE

Now with regard to the future, because of the uncertainty of present conditions, it would need a bold man to make any definite promises, but with our splendid research department I have no hesitation whatsoever in predicting that this company will continue to hold its dominating position in the cleaner industry.

In view of the conditions that existed last year, your directors feel by no means displeased with the result.

The report and accounts were unanimously adopted.

ILLUSTRATED NEWSPAPERS, LIMITED

SATISFACTORY RESULT DESPITE DIFFICULTIES

The thirteenth annual general meeting of Illustrated Newspapers, Limited, was held, on the 16th instant, at the Connaught Rooms, London.

The Lord Southwood (the chairman), in the course of his speech, said: The net trading profit amounts to the sum of £192,499, as against £196,169 last year, a decrease of only £3,669. The available balance is £175,626. Up to November 30, 1938, there had already been paid out of these profits a full year's dividend on the preference shares to April 30, 1938, but which was not paid until January 1, 1939. Your directors, however, deemed it wise to provide for this in these accounts. These three half-years' dividends, less tax, amount to £108,900, leaving a balance of £66,726. Out of this sum your directors recommend that a further £25,000 be transferred to preference dividend reserve, making with the amount previously transferred a total of £75,000, approximately equivalent to one full year's dividend, less tax.

BOARD'S SOUND DIVIDEND POLICY

This, in the opinion of the board, is a wise measure to adopt providing as it does to a considerable extent for a continuity of payment of the preference dividend, and thereby strengthening the position of the ordinary shares. The directors are of opinion that, in view of the general conditions of trade ruling, not only in this country but throughout the world generally, and consequently the necessity of conserving the company's cash resources, it would be unwise to recommend a dividend on the ordinary shares.

"ILLUSTRATED LONDON NEWS AND SKETCH"

We are fortunate at this time in being able to present to you accounts disclosing such satisfactory results considering the extremely difficult conditions we have experienced during the past year. I cannot, however, do other than make it perfectly clear that these results have been helped very considerably by the fact that in these accounts we have benefited by the exceptionally good results shown by the Illustrated London News and Sketch, Limited, for the year 1937. It was, as you know, a year in which events of great national importance occurred. I refer particularly to the Coronation, in connection with which event our special issues proved extremely profitable.

Apart from the absence of great national events, the past year has been one of considerable anxiety in view of the unsatisfactory state of trade due to international conditions. We, in common with most other concerns, have naturally suffered therefrom. As customary, and in view of the fact that we hold about 94½ per cent. of that company's share capital, you will have received a report and accounts of The Illustrated London News and Sketch, Limited, for 1938, for which you will see that the profits of that company were £48,218, as compared with £96,164 in 1937. The net amount we shall receive in dividends after tax is £24,098, as against £58,240. This sum, however, added to the amount we propose to carry forward in our company's accounts, will be approximately sufficient to pay the full year's preference dividend for the current year without drawing upon the £75,000 preference dividend reserve created or any profits which may accrue during the current year. The directors consider this to be a very sound position.

POPULARITY OF COMPANY'S PUBLICATIONS

I am glad to be able to report that all our publications maintain their popularity both with readers and advertisers—this in spite of the ever-increasing competition which we constantly have to face. We have maintained our excellent standard of production of which, you will agree, we may justly be proud. I would like here to emphasise what I stated last year, namely, that too much stress cannot be put upon the value of all our papers to advertisers. That they reach the intellectual and influential people all over the world is undoubted. Our papers, I think I may say, are unique and deservedly popular, and this is evidenced by the fact that they can be found in every part of the globe.

Our monthly magazine *Britannia and Eve* has made great strides, and, as one of the trade papers recently said, it is "top of its class." We have in this publication a valuable and profitable investment. I am not bold enough in these difficult times to make any definite forecast for the future, but, given a period of peace, which is the hope of everyone, I am optimistic enough to say we shall go steadily forward with improved results.

The report and accounts were unanimously adopted.

LONDON & LOMOND INVESTMENT TRUST, LIMITED

DIVIDEND INCREASED TO 6½ PER CENT.

The eighth ordinary general meeting of London & Lomond Investment Trust, Limited, was held, on the 16th instant, in London.

The Hon. W. B. L. Barrington (the chairman of the company) presided.

The notice convening the meeting having been taken as read, Mr Ian Wright, of Messrs Grahams, Rintoul, Hay, Bell and Company (the secretaries), read the auditors' report.

The Chairman, in moving the adoption of the report and accounts, referred to the death of Mr C. R. V. Coutts and the appointment to the Board of Mr P. H. McCormack, and said:—

After meeting expenses of management, interest and income tax, the net revenue was £34,862, a decrease of £9,217. £10,000 has again been carried to general reserve, which now stands at £50,000. The directors recommend payment of a final dividend of 4½ per cent. on the ordinary stock, making 6½ per cent. for the year as against 6 per cent. for the previous year.

I wish to explain that the diminution in the income has arisen only in part by reason of actual reductions in dividends received from investments. It is also due to the policy pursued by your board with the object of achieving a greater degree of stability of income as a protection against future periods of depression. During the past two years holdings in companies, the profits of which tend to fluctuate with the trade cycle, were reduced and the proceeds re-invested in securities the income from which is less liable to variations. This policy involved the acceptance of a lower income return than might otherwise have been obtained.

DOWNWARD TREND OF VALUES

During the year under review, despite periodical rallies, the main trend of security values continued downwards, and in consequence, at the end of our year, there was an unrealised depreciation of £36,756 on the balance sheet value of our investments. This depreciation compared with an unrealised appreciation of £93,960 a year earlier, but it was covered four and a half times over by our reserves, so that in spite of the fall in markets the indicated net asset value of our ordinary stock was still over 150 per cent. on January 31st last. You will be interested to learn that as a result of the improvement in prices since January 31st a valuation made as at March 13th, which, of course, was before yesterday's developments in Central Europe, showed that the depreciation of £36,756 had been recovered and that, in addition, there was an unrealised appreciation of over £30,000.

With regard to the outlook for the present year, our estimates based on income receivable at current rates on investments now held lead us to hope that our revenue should be maintained at last year's level.

The report and accounts were unanimously adopted.

The retiring directors, Messrs R. E. F. de Trafford and P. H. McCormack, were re-elected, and the auditors, Messrs Moores, Carson and Watson, chartered accountants, were re-appointed.

CONSOLIDATED MINES SELECTION COMPANY, LIMITED

DIVIDEND 15 PER CENT.

The forty-third ordinary general meeting of The Consolidated Mines Selection Company, Limited, was held, on the 14th instant, in London.

Mr S. S. Taylor, C.M.G., D.S.O., who presided in the absence through ill-health of the chairman of the company, Mr Walter McDermott, said that the net profit carried to the appropriation account was £110,083, as against £229,694. Shareholders would of course appreciate that market conditions throughout 1938 had rendered profitable share dealing most difficult. It was proposed that a dividend of 15 per cent., less income tax, should be paid.

With regard to the principal concerns in which the company was interested, in spite of the unfavourable markets the Anglo-American Corporation of South Africa, Limited, declared a dividend in September last of 3s. per share. With its widespread activities in the fields of gold, copper, and diamonds, as to which last signs of improvement were already apparent, most satisfactory sales having taken place since the beginning of the year, the Anglo-American Corporation was very favourably placed to take advantage of any market recovery. The South African Land and Exploration Com-

pany commenced production at the end of June 1938, paid a first dividend in December last, and undoubtedly had a most promising future, while Grootvlei Proprietary Mines, Limited, in which they had a very substantial interest, also reached the production stage in 1938 and was expected to pay a first dividend this year.

Apart from the indirect interest in copper through the Anglo-American Corporation, they had a direct interest through Rhodesian Anglo-American, Limited, which held 54 per cent. of the ordinary shares in Rhokana Corporation, Limited, and paid a dividend total-

ling 1s. 6d. per share in 1938. Even though the prices of copper since the commencement of Rhokana's financial year in July last had been possibly lower, yet as from that date Rhokana had had the advantage of a substantial increase in its quota. Operations connected with the opening up of the rich N'changa Consolidated Copper Mines, Limited, were proceeding without hitch.

The Mawchi Mines, Limited, was now handsomely repaying their faith in the undertaking.

The report was unanimously adopted.

INDUSTRIAL REPORTS—continued

of the spring and summer trade in both woollens and worsteds has led trade circles to expect firm prices during the next few months.

THE COMMODITY MARKETS

In contrast to the fall in the prices of securities on the world's stock exchanges, due to the unexpected dismembering of Czechoslovakia, commodity prices held up fairly well until Wednesday.

Wheat prices, which invariably advanced during recent political crises, are scarcely changed on the week. Similarly, raw sugar prices showed little variation. Rubber tended to decline in price owing to the cautious buying policy of consumers, while linseed oil has scarcely moved. With the exception of spelter, the principal non-ferrous metals all rose in price until Wednesday, but relapsed on Thursday. Raw cotton was again marked up in price and jute was also dearer. The opening prices realised at the second series of the London wool auctions, which began this week, showed a slight improvement over the figures for the previous sales.

In the United States, the general trend of the prices of staple commodities was slightly downwards, Moody's index having fallen from 144.5 (December 31, 1931 = 100) to 143.8 during the week ended last Wednesday.

Metals

Copper.—The market was steady early this week, but on Thursday the price of standard cash fell sharply to £42 12s. 6d. per ton, as the market took an unfavourable view of recent events. Several branches of copper manufacturing trades have increased their activity in the past fortnight, and consumption seems to be on the up-grade. According to the Copper Institute the extra-U.S.A. consumption of copper totalled 101,531 short tons in February, against 99,530 short tons in January; in the United States consumption fell in the same period by nearly 3,000 tons to 48,067 short tons, due mainly to the shorter month. Output decreased both in and outside the United States in February and the reduction seems to have made further headway since the beginning of March, so that an equilibrium between production and consumption may be obtained this month. In February production was still in excess of consumption, so that world stocks showed an advance of slightly over 13,000 short tons to 493,114 short tons.

Tin.—After considerable strength early in the week, due to the further improvement in the American and Welsh tinplate industries, the price of tin fell by £1 to close on Thursday at £215 15s., the same level as a week ago. The market is very narrow at present as most buyers are inclined to await the outcome of next week's tin meeting.

Lead and Spelter.—While the price of spelter closed unchanged at £13 16s. 3d. per ton, that of lead gained 6s. 3d. to close on Wednesday at £14 18s. 9d. per ton, the highest level of the current year. Thursday's trading, influenced by the political events in Central Europe, brought only small declines in the prices of both metals. The forward price for lead has now exceeded the £15 limit for the first time since the early days of January. The strength of the market was due both to an improvement in the demand from the building trade and to the decline of offerings. Although so far no statement has been made about the lead cartel, it is expected that the lead scheme will be strengthened considerably before the end of this month.

Grains

EUROPEAN demand has been dull, and wheat prices have tended to fall, in spite of a moderate trade in Australian wheat to the Far East. In the last two days there has been some rise in the quotations for near positions, due to the recent political developments. The official estimate of the Australian wheat crop has now been raised from 145 to 151 million bushels, compared with an outturn of 188 million bushels last season. Little business has been transacted in maize or barley, and prices of these grains are also somewhat lower on the week.

Other Foods

Provisions.—The bacon market remains very firm, with prices for English and Danish (No. 1 sizeable) up to 100s. per cwt. There was a brisk demand for Colonial butters early in the week, but the price of Danish fell by some 3s. per cwt. Egg prices continue to fall.

Colonial Produce.—The sugar market has been dull, and prices for refined were reduced by 1½d. per cwt. on Wednesday. With only a limited demand, cocoa prices have again fallen, but at the tea and coffee auctions, a fair interest was shown.

Fruit and Vegetables.—Supplies of kitchen vegetables remain short and prices are well maintained. New

potatoes are now on the market from the Canary Islands, but the trade in English maincrop has improved and prices to growers have hardened.

Milk.—The following table is compiled from statistics issued by the Milk Marketing Board:—

	Feb., 1938	Dec., 1938	Jan., 1939	Feb., 1939
Prices (per gall.)	d.	d.	d.	d.
Liquid	18.0	17.5	17.5	17.5
Av. manufacturing	7.586	7.327	7.199	7.245
Av. pool	15.12	15.43	15.22	15.01
Contract sales (mill. galls.)				
Liquid	48.1	52.9	53.1	49.4
Manufacturing	14.5	13.2	14.1	14.4
Total contract	62.6	66.1	67.2	63.8
Used by farmhouse cheesemakers	0.6	0.5	0.5	0.5

Miscellaneous Commodities

Oils and Oilseeds.—A firmer tone in the markets in the early part of the week gave way to renewed weakness, with the political developments of the last few days. Linseed and linseed oil have been in fair request, but the original advance in prices has not been maintained. Demand for oilcakes is below normal for the time of year.

Rubber.—The good figures for American consumption in February and the decline in stocks did not prevent a marking down of prices in sympathy with the political uncertainties of the week. The market has been steady, however, though the volume of business has been very small. The price of standard sheet on the spot closed on Wednesday at 8½d. per lb., a fall of ¼d. per lb. on the week.

Furs.—During the past week, the Soviet Fur Trust held its 16th Leningrad Fur Auction. Although these sales were only begun in March, 1931, they now hold a very important place in the international fur trade. Supplies included all well-known Russian furs and were fairly large, but demand was so keen that 95 per cent. of the offerings were sold, the United States, Great Britain and France being the chief buyers. Prices were generally strong and rose by 5 to 15 per cent. compared with both the contract prices and the prices of the fifteenth sale, held in July, 1938. The tendency on the free London fur market has continued to be firm in the last few days, but the political events in Central Europe have led to a reduction in demand so that reactions in prices are possible.

CURRENT STATISTICS

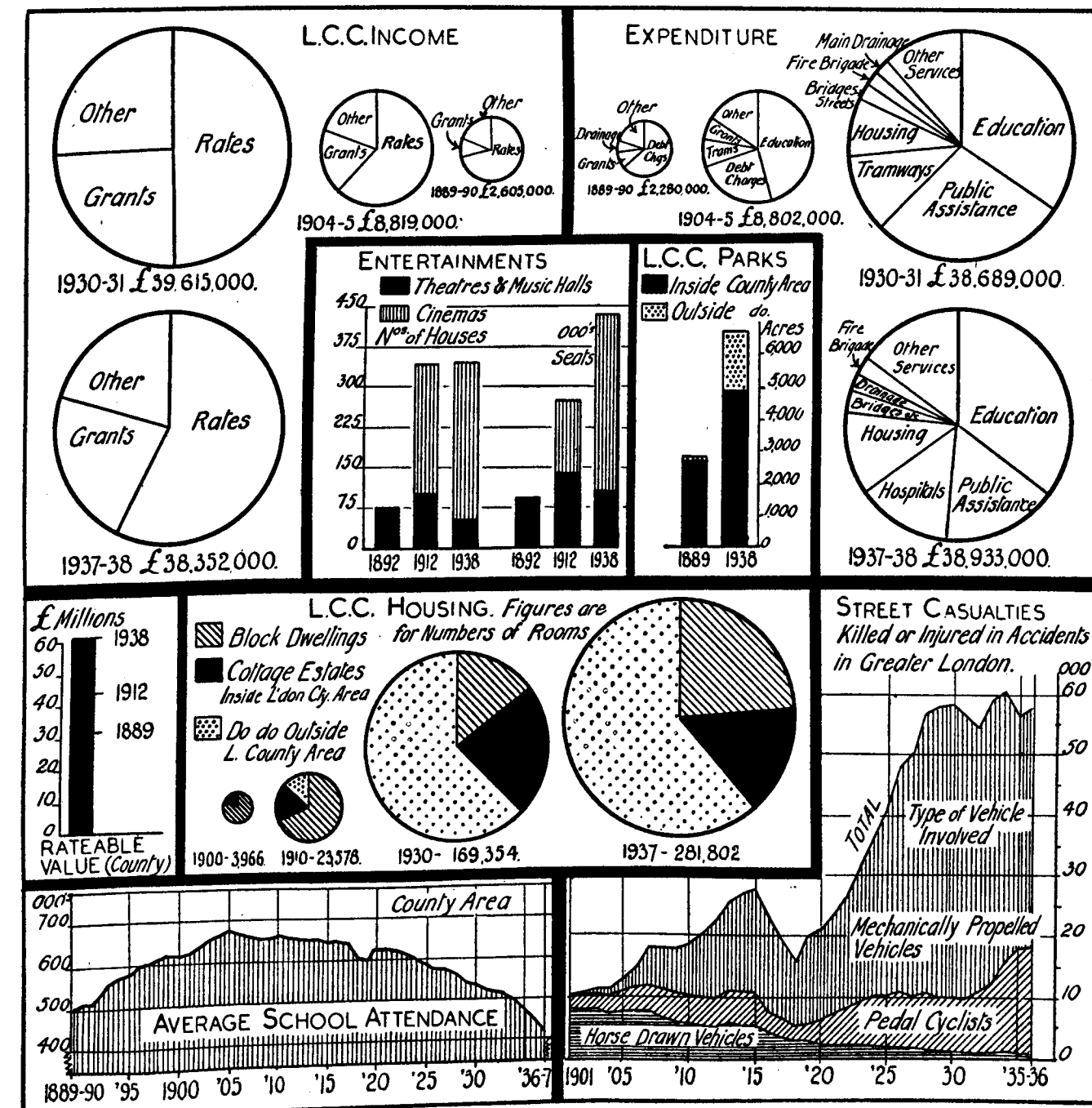
CONTENTS

	Page		Page
<i>The County of London</i>	589	INVESTMENT	
		Transport Receipts	594
		Dividend Announcements	594
FINANCE		The Week's Company Results	595
Government Returns	590	London Active Securities and Yields	596
Bank of England Returns	590		
Overseas Bank Returns	591	INDUSTRY AND TRADE	
Bank Clearings	592	Commodity Statistics	598
Money Rates	592	British Wholesale Prices	599
Exchange Rates	592		
Imports and Exports of Gold and Silver	593	SPECIAL STATISTICS	
Clearing Accounts	593	Overseas Trade	600

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

The County of London

Comparison of the income and expenditure of the L.C.C. during the last half-century is affected by the transfer of certain services into and out of the control of the Council. Thus, Education was administered by the School Boards prior to 1904-05, and public assistance by the Boards of Guardians prior to 1930-31. The tramways ceased to be administered by the Council after the establishment of the London Passenger Transport Board, and this change largely accounts for the decline in "other income" between 1930-31 and 1937-38. Grants from the income side means grants from the Government and on the expenditure side grants to other local authorities.



Finance

GOVERNMENT RETURNS

For the week ended March 11, 1939, total ordinary revenue was £25,375,000, against ordinary expenditure of £14,855,000. Thus, excluding sinking fund allocations, Defence expenditure from loans, and £720,000 interest paid and received to date in respect of Defence loan issues, the deficit accrued since April 1st last is £23,805,000, against a surplus of £10,156,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Mar. 12, 1938	April 1, 1937, to Mar. 11, 1939	Week ended Mar. 12, 1938	Week ended Mar. 11, 1939
ORDINARY REVENUE					
Income Tax	341,150	277,084	309,858	10,287	13,137
Sur-tax	62,000	47,740	52,370	3,450	3,440
Estate, etc., duties	88,000	84,040	72,240	1,720	2,030
Stamps	24,000	20,980	19,070	1,570	250
N.D.C. etc.	20,000	670	19,670	90	540
Other In. Rev. Duties	1,250	1,600	1,450	30	10
Total I. Rev.	536,400	432,114	474,658	17,147	19,407
Customs	227,950	210,423	212,341	5,730	5,263
Excise	116,510	107,400	107,700	900	822
Total Cust. and Excise	344,460	317,823	320,041	6,630	6,085
Motor duties	36,000	34,400	35,343	218	304
P.O. (Net Receipts)	8,670	13,530	11,960	170	Dr. 423
P.O. Fund	2,400	25	...	...	...
Crown Lands	1,330	1,280	1,250	...	...
Rec. from Sun. Loans	5,250	5,230	5,699	...	...
Misc. Rec.	10,500	11,818	10,780	31	2
Total Ordinary Revenue	944,650	816,220	859,731	24,196	25,375
SELF-BAL. REVENUE					
Post Office and Broadcasting	80,492	69,820	72,790	1,130	1,774
Total...	1,025,142	886,040	932,521	25,326	27,149

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Mar. 12, 1938	April 1, 1937, to Mar. 11, 1939	Week ended Mar. 12, 1938	Week ended Mar. 11, 1939
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	212,771	214,340	373	427
Payments to N. Ireland	8,900	7,229	8,105	...	...
Other Cons. Fund Serv.	5,239	2,942	4,670	...	1
Total...	244,139	222,942	227,115	373	428
Supply Serv. Do.	704,227	583,122	656,421	11,363	14,427
Do.	...	613,972	738,671	18,463	22,927
Total Ord. Expend.	948,366	806,064	883,536	11,736	14,855
Def. Ln. Iss.	131,904	30,850	82,250	7,100	8,500
Sink. fds. Self-Bal.	...	9,870	10,398	230	255
P. O. and B'dcasting	80,492	69,820	72,790	1,130	1,774
Total...	1,028,858	885,754	966,724	13,096	16,884

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £12,900,000 under Defence Loans Act.

† After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Eire Act, revised and increased Civil Estimates (additional to marginal provision). Net increase, £3,968,000.

¶ Now transferred as charge against revenue.

¶ After adding issues from Defence Loans.

After reducing Exchequer balances by £279,635 to £2,658,892, the other operations for the week (as shown below), but excluding issues from Defence Loans and issues to Sinking Funds) reduced the gross National Debt by £2,044,000 to about £8,276 millions.

WEEK'S CHANGES IN DEBT

NET INCREASE (£ thousands)		NET REPAYMENTS, ETC.	
Pub. Dept. Adv.	5,710	Bk. of Eng. Adv.	6,000
		Treasury bills	1,579
		Nat. Savings Certs.	150
		N. Atl. Shipping	25
	5,710		7,754

AGGREGATE ISSUES AND RECEIPTS

Ordinary Exp. (£ thousands)		Ordinary Rev. (£ thousands)	
Eire issues	10,000	Eire receipts	10,000
Def. Loan iss.	82,250	Gross borr.	126,782
Cz.-Slovak. iss.	10,029	Less	
Inc. in balances	295	Sinkg. Fds.	10,403
		Net borrowing	116,379
	986,110		986,110

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
Mar. 12	517.0	283.8	38.9	...	839.8	322.7
Nov. 19	522.0	403.7	41.7	...	967.4	445.4
Dec. 3	517.0	404.1	45.4	...	971.5	449.0
" 10	507.0	465.3	46.7	...	1,019.0	512.0
" 17	500.0	474.2	51.5	...	1,025.7	525.7
" 24	493.0	495.3	42.1	...	1,030.4	537.4
" 31	488.0	497.6	45.8	5.3	1,036.7	543.4
1939						
Jan. 7	474.0	524.5	41.0	0.7	1,040.2	565.5
" 14	449.0	525.5	37.1	...	1,011.5	526.6
" 21	426.0	524.1	37.6	...	987.5	561.7
" 28	411.0	517.8	39.3	...	968.1	557.1
Feb. 4	396.0	520.1	36.7	...	952.8	556.8
" 11	381.0	502.4	38.8	...	922.2	541.2
" 18	366.0	498.6	38.9	...	903.5	537.5
" 25	351.0	500.0	40.2	...	891.2	540.2
Mar. 4	346.0	509.8	40.2	6.0	902.0	450.0
" 11	351.0	503.2	45.9	...	900.2	549.1

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1938					
Mar. 11	45.0	92.1	45.0	10	1.35
Nov. 18	35.0	62.6	35.0	14	1.37
Dec. 25	35.0	69.6	35.0	17	7.80
" 3	35.0	74.8	35.0	17	11.03
" 10	35.0	68.8	35.0	19	2.10
" 16	30.0	70.6	30.0	20	0.79
" 23	35.0	62.9	35.0	22	0.45
" 30	35.0	74.1	31.0	13	8.88
1939					
Jan. 6	25.0	60.3	25.0	11	0.08
" 13	25.0	65.1	22.0	10	8.09
" 20	25.0	67.8	23.0	10	3.54
" 27	20.0	63.4	20.0	10	5.04
Feb. 3	20.0	67.6	20.0	10	4.76
" 10	20.0	71.2	20.0	10	1.41
" 17	20.0	70.1	20.0	10	0.64
" 24	30.0	72.6	30.0	10	1.33
Mar. 3	40.0	83.8	40.0	10	0.48
" 10	40.0	81.3	40.0	10	1.01

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On March 10th applications at £99 17s. 5d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, and Friday of following week were accepted at about 34 per cent. and applications at higher prices in full. Applications at £99 17s. 6d. for bills to be paid for on Saturday and accepted in full. £40.0 millions of Treasury bills are being offered on March 17th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Eight weeks to —		
February 26, 1938	5,795,762	4,346,819
February 25, 1939	5,386,557	4,039,917
Week to —		
February 26, 1938	668,565	501,424
February 18, 1939	646,164	484,623
February 25, 1939	634,878	476,158

BANK OF ENGLAND RETURNS

MARCH 15, 1939

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt...	11,015,100
In Circulation...	477,248,387	Other Govt. Securities...	288,245,163
In Banking		Other Secs. ...	3,013
Dept.	48,784,704	Silver coin...	736,724
		Amt. of Fid. Issue	300,000,000
		Gold Coin & Bullion	226,033,091
		(@ 148s. 5d. per oz. fine)	526,033,091

BANKING DEPARTMENT

Props. capital	14,553,000	Govt. Secs. ...	97,531,164
Rest	3,680,684	Other Secs. ...	1,706,688
Public Depts. *	10,525,030	Securities...	21,704,350
Other Depts. :			
Bankers	108,470,458		
Other A/c...	35,549,311		
	142,019,739	Notes	23,411,038
		Gold & Silver Coin	1,051,577
	170,778,483		170,778,483

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Amt. Mar. 15, 1939	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	477,248	- 1,930	- 2,227
Deposits : Public	10,525	- 924	- 584
Bankers	106,471	+ 9,047	- 12,576
Others	35,549	- 259	- 118
Total outside liabilities	629,793	+ 5,938	- 15,505
Capital and rest	18,234	- 14	- 28
COMBINED ASSETS			
Govt. debt and securities	396,791	+ 8,215	+ 84,620
Discounts and advances	1,707	- 1,653	- 1,933
Other securities	21,707	- 695	+ 1,220
Silver coin in issue dept.	737	+ 74	+ 725
Gold coin and bullion	227,085	+ 11	- 100,164
RESERVES			
Res. of notes & coin in banking department...	49,836	+ 1,940	+ 2,063
Proportion of reserve to outside liabilities...			
(a) Bank, dept. only ("proportion")	32.6%	- 0.5%	+ 3.8%
(b) Gold stocks to deposits and notes ("reserve ratio")	36.1%	- 0.3%	- 14.6%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS (£ millions)

	1938				1939			
	Mar. 16	Feb. 22	Mar. 1	Mar. 8	Mar. 15*			
Issue Dept.:								
Notes in circ.	479.5	472.7	478.4	479.2	477.2			
Notes in banking dept.	46.9	53.7	48.0	46.9	48.8			
Govt. debt and securities	200.0	399.5	299.4	299.3	299.3			
Other secs. ...	0.0	0.1	0.0	0.0	0.0			
Silver coin ...	0.0	0.5	0.6	0.7	0.7			
Gold, valued at s. per f. oz.	326.4	326.4	326.4	326.0	326.0			
Deposits:								
Public	11.1	16.4	11.6	11.4	10.5			
Bankers	119.0	103.1	110.4	97.4	106.5			
Others	35.7	35.1	36.5	35.8	35.5			
Total	165.8	154.6	158.5	144.6	152.5			
Bkg. Dept. Secs.:								
Government	112.2	78.9	99.0	89.2	97.5			
Discounts, etc.	3.6	17.5	6.3	3.4	1.7			
Other	20.5	21.7	22.4	22.4	21.7			
Total	136.3	118.1	127.7	115.0	120.9			
Banking dept. reserve	47.8	54.7	49.0	47.9	49.8			
"Proportion"	28.8	28.3	30.8	33.1	32.6			
Reserve ratio†	50.7	20.3	35.7	36.4	36.1			

* Government debt is £11,015,100; capital £14,553,000. † Gold stocks in both departments deposits and notes in circulation.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in The Economist of May 28, 1938. The latest returns of the Bank of Portugal appeared in our issue of February 4th; Reserve Bank of India, Danzig and Iran, of February 25th; Argentina and Egypt, of March 4th; Denmark, Estonia, Greece, International Settlements, Latvia, Lithuania, New Zealand, Poland, South Africa and Sweden, of March 11th.

U.S. FEDERAL RESERVE BANK

12 U.S.R. BANKS				
RESOURCES	Mar. 17, 1938	Feb. 16, 1939	Mar. 9, 1939	Mar. 16, 1939
Gold certis. on hand and due from Treas.	9,189	12,006	12,184	12,254
Total reserves	9,676	12,454	12,609	12,666
Total cash reserves	478	439	415	403
Total bills discounted	8	5	3	3
Bills bt. in open mkt.	1	1	1	1
Total bills on hand	9	6	4	4
Industrial advances	17	15	14	14
Total U.S. Govt. secs.	2,564	2,564	2,564	2,564
Total bills and secs.	2,590	2,584	2,582	2,582
Total resources	13,115	15,854	15,841	16,076
LIABILITIES				
F.R. notes in circn.	4,125	4,350	4,344	4,335
Aggregate of excess mr. bank res. over reqts.	1,460	3,170	3,410	3,440
Deposits — Member-bank reserve account	7,328	8,707	8,985	9,077
Govt. deposits	264	1,250	1,102	1,059
Total deposits	7,917	10,457	10,597	10,688
Cap. paid in and surplus	309	311	311	311
Total liabilities	13,115	15,854	15,841	16,076
Reserve to depts. and F.R. notes	80·4%	84·1%	84·4%	84·3%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock...	12,778	14,772	14,923	14,983
Treasury and Nat. Bk. currency	2,672	2,619	2,829	2,832
LIABILITIES				
Money in circulation...	6,328	6,665	6,751	6,751
Treasury cash and depts. with F.R. Bks.	3,814	4,021	3,818	3,771

BANK CLEARINGS

LONDON

(£ thousands)

	Month of February			Week ended		Aggregate from	
	1938	1939	Change	Mar. 16, 1938	Mar. 15, 1939	Mar. 16, 1938	Mar. 15, 1939
Number of working days:	24	24	%	6	6	64	63
Town	2,627,656	2,422,048	- 7.8	684,151	598,297	7,290,169	6,574,142
Metropolitan	168,824	165,048	- 2.8	36,870	37,457	465,545	438,256
Country	295,063	290,115	- 1.6	65,915	66,639	817,613	789,032
Total	3,091,543	2,877,211	- 7.0	786,936	702,393	8,573,327	7,801,430

PROVINCIAL

(£ thousands)

	Month of February			Week ended		Aggregate from	
	1938	1939	Change	Mar. 12, 1938	Mar. 11, 1939	Mar. 12, 1938	Mar. 11, 1939
No. of working days:	24	24	%	6	6	61	60
BIRMINGHAM	9,753	9,978	+ 2.3	2,038	2,021	27,378	26,149
BRADFORD	3,453	3,441	- 0.3	763	819	8,937	8,987
BRISTOL	5,508	5,571	+ 1.1	1,146	1,162	13,486	13,593
HULL	3,725	3,454	- 7.2	998	731	9,774	8,789
LEEDS	4,407	3,911	- 11.2	824	871	11,654	11,691
LIVERPOOL	2,837	2,805	- 1.1	731	610	7,777	7,417
LIVERPOOL	22,847	20,297	- 11.1	4,812	4,532	57,866	51,963
MANCHESTER	40,992	39,157	- 4.4	9,020	8,621	107,284	107,284
NEWCASTLE	7,041	6,793	- 3.5	1,348	1,366	17,244	16,475
NOTTINGHAM	2,256	1,984	- 12.0	476	449	5,846	5,343
SHEFFIELD	5,110	4,544	- 11.0	802	1,007	13,203	11,758
Total: 11 Towns.	107,929	101,935	- 5.5	22,958	22,189	280,449	261,587
DUBLIN	...	...	...	7,463	6,247	60,961	65,537

† 10 calendar weeks.

MONEY RATES

LONDON

	Mar. 9, 1939	Mar. 10, 1939	Mar. 11, 1939	Mar. 13, 1939	Mar. 14, 1939	Mar. 15, 1939	Mar. 16, 1939
Bank rate (changed from 2½% June 30, 1932)	%	%	%	%	%	%	%
2	2	2	2	2	2	2	2
Market rates of discount:							
60 days' bills, draughts	17½	17½	17½	17½	17½	17½	17½
3 months' do.	17½	17½	17½	17½	17½	17½	17½
6 months' do.	9½	9½	9½	9½	9½	9½	9½
Discount Treasury Bills:							
2 months'	17½	17½	17½	17½	17½	17½	17½
3 months'	17½	17½	17½	17½	17½	17½	17½
Loans—Day-to-day	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12-1	12-2	12-2	12-2	12-2	12-1	12-1
Deposit advances: Bk.	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12
At notice	34	34	34	34	34	34	34

Comparison with previous weeks

	Short Loans	Bank Bills			Trade Bills		
		3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1939	%	%	%	%	%	%	%
Feb. 16...	12-1	17½	9½-9½	9½-11½	21-23	24-31½	3-3½
" 23...	12-1	17½	9½-9½	9½-11½	21-23	24-31½	3-3½
Mar. 2...	12-1	17½	9½	9½-9½	21-23	24-31½	3-3½
" 9...	12-1	17½	9½	9½-9½	21-23	24-31½	3-3½
" 16...	12-1	17½	9½	9½-9½	21-23	24-31½	3-3½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Mar. 16, 1938	Feb. 15, 1939	Feb. 22, 1939	Mar. 1, 1939	Mar. 8, 1939	Mar. 15, 1939
Call money	%	%	%	%	%	%
Time money (90 days' mixed coll.)	114	112	112	112	112	112
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 £	Mar. 10, 1939	Mar. 11, 1939	Mar. 13, 1939	Mar. 14, 1939	Mar. 15, 1939	Mar. 16, 1939
New York, \$.	4.862½	4.69-4.69½	4.69-4.69½	4.69-4.69½	4.68½-4.68½	4.68½-4.68½	4.68½-4.68½
Montreal, \$.	4.862½	4.69½-4.69½	4.69½-4.69½	4.69½-4.69½	4.70-4.69½	4.69½-4.69½	4.70-4.69½
Paris, Fr.	124.21	176½-176½	176½-176½	176½-176½	176½-176½	176½-176½	176½-176½
Brussels, Bel.	35.00a	27.87-27.87	27.87-27.87	27.87-27.87	27.87-27.87	27.87-27.87	27.87-27.87
Milan, L.	92.46	89.89-89.89	89.89-89.89	89.89-89.89	89.89-89.89	89.89-89.89	89.89-89.89
Zurich, Fr.	25.22½	20.62-20.62	20.62-20.62	20.62-20.62	20.62-20.62	20.62-20.62	20.62-20.62
Athens, Dr.	375	510-555	540-555	540-555	540-555	540-555	540-555
Amst'dm, Fl.	12.107	8.82-8.82	8.82-8.82	8.82-8.82	8.82-8.82	8.82-8.82	8.82-8.82
Berlin, Mk.	20.43	11.68-70	11.67-70	11.67-70	11.67-70	11.67-70	11.66-69
Registered Marks:							
Br. India Rup.	118d.	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18
Hong Kong, \$.	14½-15	14½-15	14½-15	14½-15	14½-15	14½-15	14½-15
Shanghai, \$.	14½-15	14½-15	14½-15	14½-15	14½-15	14½-15	14½-15
Rio, Mil.	15.899d.	31½-31½	31½-31½	31½-31½	31½-31½	31½-31½	31½-31½
B. Aires, \$.	11.45	20.25-20.25	20.25-20.25	20.25-20.25	20.25-20.25	20.25-20.25	20.25-20.25
Valparaiso, \$.	40	17-13½	17-13½	17-13½	17-13½	17-13½	17-13½
Montevideo, \$.	151d.	116-116	116-116	116-116	116-116	116-116	116-116
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.	125.66d.	25½-25½	25½-25½	25½-25½	25½-25½	25½-25½	25½-25½
Moscow, Rbls.	...	24.86-24.86	24.86-24.86	24.86-24.86	24.86-24.86	24.86-24.86	24.86-24.86

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 8½ sellers. (e) Average remittance rate for importers. (f) Rate for payments to the Bank of England, for account Controllers of Anglo-Italian debts. (g) Nominal. (h) Official.

(b) Other Exchanges

London on	Par of Exch. per £	March 10, 1939	March 15, 1939	March 16, 1939
Helsingfors, M.	193.23	226½-227	226½-227	226½-227
Madrid, Pt.	25.22½	100-300	100-300	100-300
Lisbon, Esc.	110	110-110½	110-110½	110-110½
Budapest, Pen.	27.82	23½-24½	23½-24½	23½-24½
Prague, Kc.	164½	136½-137½	136½-137½	136½-137½
Danzig, Gul.	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	650-670	650-670	650-670
Istanbul, Pst.	110	590*	590*	590*
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, E. Kr.	18.159	17½-18½	17½-18½	17½-18½
Oslo, 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, Pt.	18.159	22.35-45	22.35-45	22.35-45
Kobe, Yen	97½	13½-14½	13½-14½	13½-14½
Singapore, \$.	124.58d.	13½-14½	13½-14½	13½-14½
Batavia, F.	12.11	8.79-83½	8.79-83½	8.79-83½
Bangkok, Baht	121.82d.	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	Mar. 10, 1939	Mar. 11, 1939	Mar. 13, 1939	Mar. 14, 1939	Mar. 15, 1939	Mar. 16, 1939
New York, cent.	(p)	(p)	(p)	(p)	(p)	(p)
2 " "	12-16	12-16	12-16	12-16	12-16	12-16
3 " "	12-16	12-16	12-16	12-16	12-16	12-16
Paris, francs	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	12-16	12-16	12-16	12-16	12-16	12-16
2 " "	12-16	12-16	12-16	12-16	12-16	12-16
3 " "	12-16	12-16	12-16	12-16	12-16	12-16
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	12-16	12-16	12-16	12-16	12-16	12-16
2 " "	12-16	12-16	12-16	12-16	12-16	12-16
3 " "	12-16	12-16	12-16	12-16	12-16	12-16
Brussels, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	12-16	12-16	12-16	12-16	12-16	12-16
2 " "	12-16	12-16	12-16	12-16	12-16	12-16
3 " "	12-16	12-16	12-16	12-16	12-16	12-16
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	12-16	12-16	12-16	12-16	12-16	12-16
2 " "	12-16	12-16	12-16	12-16	12-16	12-16
3 " "	12-16	12-16	12-16	12-16	12-16	12-16

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Mar. 9, 1939	Mar. 10, 1939	Mar. 11, 1939	Mar. 13, 1939	Mar. 14, 1939	Mar. 15, 1939
London:—	Cents	Cents	Cents	Cents	Cents	Cents
60 days	468½	468½	468½	468½	468½	468½
Cables	469½	469½	469½	469½	469½	469½
Demand	2.65½	2.65½	2.65½	2.65½	2.65½	2.65½
Paris, Fr.	16.82½	16.83	16.83	16.83	16.82½	16.83
Brussels, Bel.	22.74	22.75	22.75	22.75	22.74½	22.74
Italy, Lira	5.26½	5.26½	5.26½	5.26½	5.26½	5.26½
Berlin, Mark	40.14	40.13½	40.14	40.13½	40.13½	40.13
Amsterdam, Guilder	53.12	53.13	53.13½	53.09	53.09½	53.10
Copenhagen, Kr.	20.94	20.95	20.95	20.95	20.93½	20.92
Oslo, Kr.	23.57	23.58	23.58	23.58	23.56½	23.55
Stockholm, Kr.	24.15	24.16	24.16	24.16	24.14½	24.13½
Athens, Dr.	0.86½	0.86½	0.86½	0.86½	0.86½	0.86½
Montreal, Can. \$	99.750	99.810	99.795	99.680	99.650	99.625
Yokohama, Yen	27.37	27.37	27.37	27.38	27.36	27.35
Shanghai, \$.	16.40	16.50	16.43	16.35	16.35	16.30
B. Aires, Peso	29.10	29.11	29.11	29.10	29.09	29.07
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 March 16, 1939

From	Imports	
------	---------	--

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Mar. 12 (£'000)					Aggregate Gross Receipts 10 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
L.M. & S.—										
1938	394	502	296	798	1,990	3,899	4,834	3,110	7,944	11,843
1939	388	472	288	760	1,908	3,813	4,299	3,044	7,343	11,156
L. & N.E. (a)—										
1938	266	357	272	629	1,524	2,591	3,426	2,820	6,246	8,837
1939	260	336	271	607	1,474	2,538	2,991	2,661	5,652	8,190
Great Western—										
1938	169	202	121	323	815	1,634	1,978	1,287	3,265	4,899
1939	168	202	115	317	793	1,619	1,837	1,164	3,001	4,620
Southern—										
1938	261	62	37	99	459	2,602	592	383	975	3,577
1939	260	60	33	93	446	2,596	552	370	922	3,518
Total—										
1938	1,090	1,123	726	1,849	2,939	10,726	10,830	7,600	18,430	29,156
1939	1,076	1,070	707	1,777	2,853	10,566	9,679	7,239	16,918	27,484

(a) Week ended Mar. 11.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross decrease, first half 1938, over first half 1937	— 780	— 638	— 318	— 105
Gross decrease, second half 1938, over second half 1937	— 2,423	— 1,812	— 926	— 54
Gross decrease, first half 1939, over first half 1938	— 687	— 647	— 279	— 59
Weekly Figures				
Av. weekly decrease, 1st half 1939	— 68.70	— 64.70	— 27.90	— 5.90
Latest week compared with 1938	— 44	— 28	— 7	— 7
Latest week compared with average 1927-30	— 208	— 134	— 29	— 17

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended March 10, 1939 (£'000)			Aggregate Gross Receipts 10 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1.6	0.5	2.1	16.5	4.3	20.8
1939	1.6	0.4	2.0	16.6	4.2	20.8
Great Northern—						
1938	7.3	9.3	16.6	79.2	84.6	163.8
1939	9.1	10.5	19.6	80.8	93.9	174.7
Great Southern—						
1938	26.9	40.3	67.2	277.5	413.3	690.8
1939	27.4	42.4	69.8	274.9	404.1	679.0

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					Ericsson Telephones	11 1/2	125	...	125	UNIT TRUSTS	Pence	11 1/2	125	Pence
Bank of Scotland	12 1/2	12	...	15(d)	Firth (T.) & Brown (J.)	11 1/2	125	...	125	British & American	11 1/2	125	...	125
Chartered of India	5 1/2	10	May 1	2	Ford Motor (Denmark)	11 1/2	125	...	125	Foreign Gov. Bond Tr.	11 1/2	125	...	125
National of India	8 1/2	16	...	18	French (J. W.) & Co.	11 1/2	125	...	125	First Prov. (Reserves)	11 1/2	125	...	125
INSURANCE					G.R.A. (Manchester)	11 1/2	125	...	125	Investors Flexible	11 1/2	125	...	125
Employers' Liability	2/-pst	70	April 3	70	Grattan Warehouses	11 1/2	125	...	125	Investors (Income)	11 1/2	125	...	125
Provincial Insurance	...	50	...	50	Gold, &c. Invest. Trst.	11 1/2	125	...	125	Do. (Reserve)	11 1/2	125	...	125
TEA & RUBBER					Harrisons & Crosfield	11 1/2	125	...	125	Second British	11 1/2	125	...	125
Bukit Sembawang Rbr.	...	4	...	10	Hawthorn, Leslie	11 1/2	125	...	125	Universal (2nd)	11 1/2	125	...	125
Dennistown Rubber	...	4	...	10	Hide and Co.	11 1/2	125	...	125					
Dimbula (Ceylon) Tea	21 1/2	5	...	712	Inns and Co.	11 1/2	125	...	125					
Eastern Produce, etc.	11 1/2	16	...	1712	Initial Services	11 1/2	125	...	125					
Mengkibol Rubber	...	212	Mar. 30	10	Kemp Town Brewery	11 1/2	125	...	125					
Muar River Rubber	...	112	...	614	Lanarkshire Steel	11 1/2	125	...	125					
Pantaya Tea, etc.	...	3	...	5	Law Land Co.	11 1/2	125	...	125					
Sungei Way Rubber	...	4	...	10	Nat. United Laundries	11 1/2	125	...	125					
Travancore Tea	6 1/2	10	...	16	Neepsend Steel	11 1/2	125	...	125					
MINING					Nunery Colliery	11 1/2	125	...	125					
Oroville Dredging	12 1/2	...	April 5	12 1/2	Olds Discount	11 1/2	125	...	125					
INDUSTRIALS					Pinchin Johnson	11 1/2	125	...	125					
Amalgamated Metal	...	7	...	7	Sec. Scot. Invest.	11 1/2	125	...	125					
Anglo-Siam Corp.	21 1/2	...	Mar. 31	21 1/2	Shanghai Electric	11 1/2	125	...	125					
Baker (S.) & Bessemer	...	10	...	712	Sth. Shields Greyhound	11 1/2	125	...	125					
Beardmore (Wm.)	...	312	...	Nil	Sth. Wales Transport	11 1/2	125	...	125					
Boots Pure Drug	6 1/2	...	Mar. 31	6 1/2	Smart Brothers	11 1/2	125	...	125					
Brit. Aluminium	8 1/2	12 1/2	...	20	Somerset Collieries	11 1/2	125	...	125					
Brit. Insulated Cables	15 1/2	20	...	5	Stephens (Henry C.)	11 1/2	125	...	125					
British Pepper, etc.	4 1/2	...	Mar. 31	5 1/2	Telephone, &c. Trust	11 1/2	125	...	125					
Bursledon Brick	12 1/2	25	...	35	Trussed Concr. Steel	11 1/2	125	...	125					
Clapton Stadium	...	5 1/2	...	10	Un. Carlo Gatti	11 1/2	125	...	125					
Colombo Gas	5 1/2	10	...	3/6	Wardle & Davenport	11 1/2	125	...	125					
Coltess Iron	2/9 1/2	3/6	...	5 1/2	Webster (Samuel)	11 1/2	125	...	125					
Dean (W. H.)	5 1/2	...	Mar. 31	5 1/2	White City (Man.) def.	11 1/2	125	...	125					
Dickinson (John)	8 1/2	12 1/2	...	14	Wests and Moultons	11 1/2	125	...	125					
Brit. & Co.	12 1/2	17 1/2	...	17 1/2	Wood (Edward)	11 1/2	125	...	125					

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending Mar. 11, 1939, before pooling	566,900	— 1,200
Total, 37 weeks to date	20,966,100	+ 204,500
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

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1939	+ or -	1939	+ or -
Bengal & N. Western	21 Feb. 28	Rs. 15,523	Rs. 2,830	Rs. 1,62,415	+ 6,31,983
Bombay, Bar. & C.I.	49 Mar. 10	32,04,000	6,48,000	110,42,000	— 15,34,000
Madras & S. Mah.	46 Feb. 20	22,92,000	1,79,966	6,65,98,261	+ 36,88,863
S. Indian	46 Feb. 20	14,66,437	44,572	4,87,04,227	— 10,82,882

CANADIAN

		1939		\$		\$		\$		\$
Canadian National ..	9	Mar.	7	3,254,635	+	10,012	29,819,415	-	36,561	
Canadian Pacific.....	9		7	2,383,000	+	9,000	21,278,000	-	794,000	

SOUTH & CENTRAL AMERICAN

		1939			
Antofagasta	10	Mar. 12	£15,130	2,830	130,550 - 42,870
Argentine N.E.	36	11	£136,300	14,900	5,704,500 + 216,500
B.A. and Pacific.....	36	11	£8,455	924	353,876 + 13,428
B.A. Central	33	Feb. 11	£1,855,074	55,000	49,612,000 - 1,693,000
B.A. Gt. Southern....	36	Mar. 11	£115,074	3,411	3,077,672 - 105,024
B.A. Western	36	11	£862,900	49,000	5,337,200 - 407,000
Central Argentine ...	36	11	£3,021,000	187,000	83,989,000 + 5,735,000
Central Uruguayan....	35	4	£187,407	11,600	5,210,235 - 293,733
Leopoldina	10	11	£878,000	110,000	25,977,000 - 1,127,000
Mexican Railway.....	9	7	£54,467	6,824	1,611,476 - 69,911
Nitrate	8	Feb. 28	£2,118,250	389,300	68,539,700 - 5,370,050
United of Havana ..	36	Mar. 11	£131,405	24,150	4,251,842 - 333,132
			£193,936	20,232	5,781,017 - 220,488
			£20,414	171	656,014 + 13,060
			£158,000	1,170	17,229,000 + 27,000
			£19,074	1,070	207,783 - 12,541
			£338,500	15,300	2,885,800 - 120,600
			£1,578,000	1,495	19,202 - 12,121
			£1,578,000	4,083	771,771 - 78,311

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

SUEZ CANAL RECEIPTS

SUEZ CANAL RECEIPTS						
Transit Receipts.....	8	1939 Feb. 28	£244,700	+	£26,200	1,486,500 - £36,100
+ 8 days						

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	
					Pref. Amount	Ordinary Amount	Rate	Net Profit	Dividend
Banks									
Anglo-Portuguese Col., etc.	Jan. 31	65,581	227	65,808	...	...	...	65,808	16,076
Eastern Bank	Dec. 31	81,191	111,601	192,792	...	70,000	7	82,792	127,193
Mercantile Bank of India	Dec. 31	173,327	192,443	365,770	...	126,000	12	177,770	183,498
National Bank of India	Dec. 31	249,817	444,063	693,880	...	320,000	16	125,000	248,880
Electric Lighting, etc.									
County of London Electric	Dec. 31	483,397	2,216,541	2,699,938	322,916	612,371	10 1/2	1,111,124	653,527
London Associated Elec.	Dec. 31	294	446,841	447,135	120,420	326,145	7	...	445,989
Mersey Power	Dec. 31	8,204	142,429	150,633	33,000	39,718	8	76,177	154,481
North-Eastern Electric	Dec. 31	217,720	1,265,748	1,483,468	185,482	333,194	7	746,748	1,162,983
South London Electric	Dec. 31	27,039	120,892	147,931	1,800	37,346	7	91,768	121,465
Breweries									
Bernard (Thos. and James)	Jan. 31	9,532	19,408	28,940	8,750	7,500	10	3,000	22,484
Financial Land, etc.									
English Assn. of Amer. Bd.	Dec. 31	5,370	2,809	8,179	...	4,771	9	500	2,908
Law Land Company	Dec. 31	14,353	60,309	74,662	15,750	31,500	9	12,839	14,573
Lewis's Investment Trust	Feb. 28	40,147	279,364	319,511	87,890	149,078	17 1/2	33,995	48,548
Matador Land, etc.	Dec. 31	2,688	16,770	19,458	...	7,250	5	4,000	8,208
Rowton Houses	Dec. 31	7,245	19,718	26,963	5,566	10,166	5 1/2	2,500	22,002
Telephone, etc., Trust	Dec. 31	63,206	105,475	168,681	38,500	58,160	8	12,359	59,662
Gas									
Alliance and Dublin	Dec. 31*	17,637	69,848	87,485	...	70,697	8	...	16

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 a stock is redeemable at the discretion of the issuer 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 1938		Prices, Jan. 1 to Mar. 15, 1939		Name of Security	Price, Mar. 15, 1939	Change since Mar. 8, 1939	Yield, Mar. 15, 1939	Prices, Jan. 1 to Mar. 15, 1939		Name of Security	Price, Mar. 15, 1939	Change since Mar. 8, 1939	Yield, Mar. 15, 1939
High	Low	High	Low					High	Low				
79 1/4	64	71 1/4	68 1/4	British Funds			£ s. d.	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
111 1/4	98	106 1/2	103 1/4	Consols 2 1/2% 1950-70	70 1/2	+ 1 1/2	3 10 11	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
100 1/4	90	96 1/4	94 1/4	Do. 4% (att. 1957)	70 1/2	+ 1 1/2	3 11 0	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
100 1/4	90	96 1/4	94 1/4	Conv. 2 1/2% 1944-49	70 1/2	+ 1 1/2	2 18 3	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
104 1/2	90 1/2	99 1/2	96 1/2	Do. 3% 1948-53	70 1/2	+ 1 1/2	2 10 10	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
105 1/2	100	104 1/2	102 1/2	Do. 3% after 1961	70 1/2	+ 1 1/2	2 10 10	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
115 1/2	102	112 1/2	108 1/2	Do. 4 1/2% 1940-44	70 1/2	+ 1 1/2	2 10 10	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
91 1/2	81	87 1/2	85 1/2	Fund. 2 1/2% 1956-61	70 1/2	+ 1 1/2	3 11 8	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
97 1/2	88 1/2	93 1/2	90 1/2	Fund. 2 1/2% 1952-57	70 1/2	+ 1 1/2	3 11 8	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
99 1/2	90	95 1/2	93 1/2	Fund. 3% 1959-69	70 1/2	+ 1 1/2	3 11 8	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Fund. 4% 1960-90	70 1/2	+ 1 1/2	3 11 8	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Nat. D. 2 1/2% 1944-48	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Do. 3% 1954-58	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Victory Bonds 4%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	War L. 3 1/2% at 1952	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Local Loans 3%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Austria 3% 1933-53	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	India 2 1/2% 1933-53	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Do. 3%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Do. 3 1/2%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Dom. & Col. Govts.	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Aust. 5% 1945-75	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Canada 4% 1940-60	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Nigeria 5% 1950-60	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	N. Zealand 5% 1946	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Queens. 5% 1940-60	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	S. Africa 5% 1945-75	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Foreign Governments	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Arg. 4 1/2% Stg. Bds.	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Austria 1930-53	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Do. 4% 1934-59	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Belgium 4% (36) 1970	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Bulgaria 7 1/2%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Brazil 5% Pd. 1914	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Chile 6% (1929)	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	China 5% (1912)	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Do. 5% (1913)	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Czechoslovakia 8%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Denmark 3%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Egypt Unified 4%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	French 4% (British)	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Ger. Dawes Ln. 5%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Do. Young Ln. 4 1/2%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Greek 6% Stab. Ln.	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Hungary 7 1/2%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Japan 5% 1936-65	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Do. 6% (4) red. 1959	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Peru 7 1/2% 1922	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Poland 7%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Roum. 4% Con. 1922	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	U.K. & Arg. C. 3%	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Corporation Stocks	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Birm'ham 5% 1946-56	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Liverpool 5% 1948-58	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	L.C.C. 3% 1954-64	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Liverpool 3% 1954-64	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c
101 1/2	90 1/2	96 1/2	94 1/2	Middx. 3 1/2% 1957-62	70 1/2	+ 1 1/2	2 13 1	70 1/2	+ 1 1/2	32 1/2	23/6	6 c	Nil c

Prices, Year 1939 Jan. 1 to Mar. 15, inclusive		Last Two Days		Name of Security	Price, Mar. 15, 1939	Change since Mar. 8, 1939	Yield Mar. 15, 1939	21/1-2		22/2-3		23/3-4		24/4-5		25/5-6		26/6-7		27/7-8		28/8-9		29/9-10		30/10-11		31/11-12		
High- est	Low- est	(a) %	(b) (%)					(c) %	(d) %	(e) %	(f) %	(g) %	(h) %	(i) %	(j) %	(k) %	(l) %	(m) %	(n) %	(o) %	(p) %	(q) %	(r) %	(s) %	(t) %	(u) %	(v) %	(w) %	(x) %	(y) %
112	108 1/4	2 1/2	2 1/2	C. Elec. 5% 1950-70	109 1/2	+ 1	£ s. d. 3 18 8	71/-	61/6	5 a	12 1/2	76 3/4	Daily Mail & Gen. £1	25/6	...	6 17 0	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2
115	105 1/4	2 1/2	2 1/2	Lon. Pass. Transport	113 1/2	+ 1	3 16 0	127/-	109/6	5 a	12 1/2	76 3/4	Dalgely £20 £5 pd.	25/6	...	6 17 0	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2
123	112	2 1/2	2 1/2	5% "A" 1985-2023	121 1/2	+ 1	3 17 0	64/-	57/3	12 b	62 1/2	3 1/2	Forestal Land £1	25/-	...	6 17 0	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2
117 1/2	108	2 1/2	2 1/2	5% "B" 1965-2023...	114 1/2	+ 1	4 2 0	73/-	62/-	6 a	12 1/2	76 3/4	Hudson's Bay Co. £1	25/-	+ 1/1-	6 17 0	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2
77 1/2	68 1/4	2 1/2	1 1/2	"C" 1956 or after...	77 1/2	+ 2	5 3 3	94/10/2	86/-	15 b	7 1/2 a	3 1/2	Java Invest. Cl. £1	16/10/2	...	6 17 0	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2	20/3	15/10/2
85 1/2	82 1/4	1 1/2	1 1/2	Met. W.B. "B" 3%	84	+ 1 1/2	3 11 5	109 3	99/7 1/2	17 b	12 a	3 1/2	Peru. Corp. Pref.	21/-	+ 1 1/2	Nil	0	0	0	0	0	0	0	0	0	0	0	0	0	0
114	112 1/4	2 1/2	2 1/2	P. of Lon. 5% 50-70	112 1/2	...	3 12 0	87/-	69/7 1/2	7 1/2 a	20 b	3 1/2	Primitive Food. £1...	9/6	+ 1/-	7 8 0	7 8 0	7 8 0	7 8 0	7 8 0	7 8 0	7 8 0	7 8 0	7 8 0	7 8 0	7 8 0	7 8 0	7 8 0	7 8 0	
								34/6	30/-	3 1/2 a	5 1/2 b	10 c	Sudan Plant. £1	30/7 1/2	- 7 1/2 d	6 10 8	6 10 8	6 10 8	6 10 8	6 10 8	6 10 8	6 10 8	6 10 8	6 10 8	6 10 8	6 10 8	6 10 8	6 10 8	6 10 8	
								79/-	67/6	8 a	13 b	10 c																		
								69/-	60/9	4 a	14 b	10 c																		
								34/6	29/-	4 a	14 b	10 c																		
								68/3	56/-	12 b	6 a	10 c																		

Industry and Trade

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)

District	Week ended		January	
	Feb. 25, 1939	Mar. 4, 1939	1938	1939
Northumberland	291.1	305.0	1,163.8	1,148.6
Durham	662.7	678.6	2,775.9	2,640.5
Yorkshire	901.3	944.9	4,034.2	3,975.6
Lancs, Cheshire and N. Wales	362.6	361.3	1,478.8	1,501.2
Derby, Notts & Leicester	733.4	707.3	3,246.3	2,235.3
Staffs, Worcs, Salop and Warwick	423.7	422.2	1,808.8	1,849.8
South Wales & Monmouth	722.8	739.9	3,329.5	3,014.1
Other English districts*	120.7	117.7	491.6	469.6
Scotland	634.1	639.7	2,503.3	2,522.4
Total	4,912.4	4,916.6	20,832.2	20,357.1

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	Mar. 3, 1939	Mar. 10, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	21.0	22.7	821	638
Brazilian	5.1	5.9	203	175
Peruvian, etc.	2.7	3.9	81	70
Egyptian	8.5	7.6	224	191
Sudan Sakel	1.6	1.6	100	88
East Indian	10.3	15.5	212	237
Other countries	3.3	3.1	118	101
Total	52.5	60.3	1,759	1,500

Metals

SALES ON LONDON METAL EXCHANGE

	Week ending		From Jan. 1 to Mar. 15, 1939
	Mar. 8, 1939	Mar. 15, 1939	
Copper	6,050	7,525	66,825
Tin	1,250	1,300	14,450
Lead	5,050	7,800	64,600
Spelter	5,975	3,975	39,495

U.K. STOCKS

	Mar. 4, 1939	Mar. 11, 1939
Copper (Br. official warehouses)	5,466	5,311
Refined	27,089	26,694
Rough	11,453	11,775
Tin (London and Liverpool)		

METALS—(cont.)

TINPLATE INDUSTRY

	Week ended		
	Mar. 5, 1938	Feb. 25, 1939	Mar. 4, 1939
Production—per cent. of capacity	48.29	52.31	56.13
Shipments Tons	Mar. 10, 1938	Mar. 2, 1939	Mar. 9, 1939
Stocks—warehouse and in vans Tons	4,846	3,190	5,512
	8,025	5,988	4,705
Ten weeks ended			
	Mar. 10, 1938	Mar. 9, 1939	
Shipments Tons	57,548	38,408	

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

From	Week ended		Season to	
	Mar. 4, 1939	Mar. 11, 1939	Mar. 12, 1938	Mar. 11, 1939
N. America	849	552	15,190	19,511
Argentina and Uruguay	193	262	5,118	5,308
Australia	447	218	7,918	7,240
Russia	28	4,294	4,425	
Danube and dist.	92	70	5,103	6,524
India	44	39	1,033	424
Other Countries			520	884
Total	1,653	1,141	39,176	44,316
To				
U.K.	425	320	10,156	11,115
"Orders"	274	325	8,100	10,219
France	25		611	847
Belgium	104	16	3,530	3,011
Holland	69	30	2,213	2,525
Italy	16		716	930
Greece	30	5	1,320	776
Scandinavia	5	50	1,066	1,067
Other European Countries	10	18	4,279	4,012
Ex-European Countries	695	352	7,185	9,884
Total	1,653	1,141	39,176	44,316

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL ('000 quarters)

From	Week ended		From Apr. 1 to	
	Mar. 4, 1939	Mar. 11, 1939	Mar. 12, 1938	Mar. 11, 1939
Argentina	253	165	31,707	13,188
Atlantic America	95	99	4,484	12,999
Danube Region	53	97	3,634	3,901
S. & E. Africa	68	50	5,237	1,509
Indo-China, etc.	26	31	1,829	2,137
Total	495	442	46,891	33,734

OTHER FOODS

	Week ended	
	Mar. 4, 1939	Mar. 11, 1939
BACON:		
Arrivals in London (bales):		
Danish	14,054	12,650
Canadian	5,201	
Dutch	2,934	3,331
Lithuanian	1,909	2,064
Polish	3,153	3,227
COCOA:		
Movement in Lond. (bags):		
Landed	14,826	28,461
D/d for home consumption	5,580	12,429
Exports	294	367
Stocks, end of week	133,396	156,261

OTHER FOODS—(cont.)

	Week ended	
	Mar. 4, 1939	Mar. 11, 1939
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	272	12
" D/d for home consn.	213	244
Exports	35	
Stocks, end of week	5,467	5,235
Central and S. American:		
Landed	8,030	6,605
D/d for home consn.	2,297	2,967
Exports	262	482
Stocks, end of week	62,717	65,873
Other kinds—Landed	6,992	3,340
" D/d for home consn.	4,646	4,071
Exports	280	383
Stocks, end of week	142,089	140,975
MEAT:		
Supplies at Smithfield (tons):		
Total	8,794	9,357
Beef and veal	4,848	4,911
Mutton and lamb	2,502	2,904
Pork and bacon	820	953
Poultry, etc.	624	589
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	7,550	13,968
Deliveries	15,682	13,778
Stocks, end of week	204,098	204,288
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	46,467	44,110
S. India	7,962	5,783
Ceylon	20,354	17,511
Java	2,380	1,328
Sumatra	375	88
Africa	2,331	5,327
Total	79,869	74,147

* Weeks ended Mar. 2nd and Mar. 9th.

Miscellaneous Commodities

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	Mar. 4, 1939	Mar. 11, 1939
Landed	1,546	1,385
Delivered	1,838	2,352
Stocks, end of week	74,477	73,510

WORLD SHIPMENTS OF LINSEED ('000 tons)

	Week ended		From Jan. 1 to	
	Feb. 11, 1939	Feb. 18, 1939	Feb. 19, 1938	Feb. 18, 1939
Oranges, Valencia, 1/2 cases	9	6	12	0
" Valencia Bloods	16	0	18	6
" cases	7	3	8	0
" Jaffa	13	9	15	9
Lemons, Naples	9	0	8	9
" Sicilian	14	3	15	3
Apples, Amer. (var.)	34	6	36	0
" Canadian: Nova Scotia (var.)	24	6	25	0
Grapes, S. Africa, Bx. A. Laval	7	1	7	1
Grapefruit, S. African				
" Calif. Navels Boxes	11	9	9	3
" Jaffa, Seedless	13	9	14	3
" Cyprus, seedless	12	6	12	6
" Texas (March Seedless)	13	6	13	6
LARD (per cwt.)				
Irish, finest bladders	58	0	58	0
Cash	39	6	39	0
U.S.	42	0	41	1
PEPPER (per lb.)				
Black Lampong (in Bond)	0	2 1/2	0	2 1/2
(Duty paid)	0	3	0	3
White Muntack (l.a.q.) (in Bond)	0	3 1/2	0	3 1/2
(Duty paid)	0	4	0	4
POTATOES, (per cwt.)				
English, King Edward, Siltland	5	9	5	9
6 0	6	0	6	3
SUGAR (per cwt.)				
Centrifugals, 96%, prpt. shipm.	6	3	6	3 1/2
c.i.f. U.K./Cont.				
Argentine London	19	9	19	9
Yellow Crystals				
" 33 deg. to 33-90, at well, per barrel	96		96	
Rubber, N.Y., smkd. sheet spot	16 1/2		16 1/2	
do. Apr.	16 1/2		16 1/2	
Sugar, N.Y., Cuban Cent., 96 deg., spot	2-78		2-80	

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

	Mar. 8, 1939		Mar. 15, 1939	
	s.	d.	s.	d.
GRAIN, etc.—				
Wheat—				
No. 2, N. Man. 496 lb.	27	6	27	0
Eng. Gaz. av., per cwt.	4	2	4	2
Liv. Mar., per cental	4	4	4	4
Flour, per 280 lb.—				
Straights, d/d London	23	0	22	6
Manitoba, ex store	21	9	21	6
Barley, Eng. Gaz., av. per cwt.	7	6	7	4
Oats,	6	3	6	1
Maize, La Plata, landed, 480 lb.	28	0	27	9
Rice, No. 2 Burma, per cwt.	7	4 1/2	7	5 1/4

	Mar. 8, 1939		Mar. 15, 1939	
	s.	d.	s.	d.
MEAT—				
beef, per 8 lbs.—				
English long sides	4	4	4	2
Argentine chilled hinds	4	10	4	10
Mutton, per 8 lb.—				
English wethers	5	0	5	0
N.Z. frozen wethers	5	8	6	0
Lamb, per 8 lb.—				
N.Z. frozen	4	8	4	8
Pork, English, per 8 lb.	6	4	6	4
BACON (per cwt.)—				
English	100	0	100	0
Danish	96	0	96	0
Dutch	93	0	93	0
Irish	102	0	102	0
HAMS (per cwt.)—				
Canadian	94	0	94	0
United States	90	0	90	0

OTHER FOODS

	Mar. 8, 1939		Mar. 15, 1939	
	s.	d.	s.	d.
BUTTER (per cwt.)—				
Australian	115	0	117	0
New Zealand	118	0	118	0
Danish	143	0	139	0
Swedish	144	0	140	0
CHEESE (per cwt.)—				
Canadian	72	0	72	0
New Zealand	74	0	74	0
English Cheddars	62	0	60	0
Dutch	58	0	51	0
COCOA (per cwt.)				
Accra, g.f.	22	3	22	0
Trinidad	23	0	22	9
Grenada	35	0	34	0
COFFEE (per cwt.)—				
Santos sup. c. & f.	32	0	32	0
Costa Rica, medium to good	70	0	70	0
Kenya, medium	58	0	58	0
English (15-15 1/2 lb.)	10	0	9	9
Danish (15 1/2 lb.)	9	0	8	9
FRUIT—				
Oranges, Valencia, 1/2 cases	9	6	12	0
" Valencia Bloods	16	0	18	6
" cases	7	3	8	0
" Jaffa	13	9	15	9
Lemons, Naples	9	0	8	9
" Sicilian	14	3	15	3
Apples, Amer. (var.)	34	6	36	0
" Canadian: Nova Scotia (var.)	24	6	25	0
Grapes, S. Africa, Bx. A. Laval	7	1	7	1
Grapefruit, S. African				
" Calif. Navels Boxes	11	9	9	3
" Jaffa, Seedless	13	9	14	3
" Cyprus, seedless	12	6	12	6
" Texas (March Seedless)	13	6	13	6
LARD (per cwt.)				
Irish, finest bladders	58	0	58	0
Cash	39	6	39	0
U.S.	42	0	41	1
PEPPER (per lb.)				
Black Lampong (in Bond)	0	2 1/2	0	2 1/2
(Duty paid)	0	3	0	3
White Muntack (l.a.q.) (in Bond)	0	3 1/2	0	3 1/2
(Duty paid)	0	4	0	4
POTATOES, (per cwt.)				

Special Statistics

OVERSEAS TRADE RETURNS

	IMPORTS (Value C.I.F.)		EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)	
	Month ended February 28		Month ended February 28	
	1938	1939	1938	1939
Food, Drink and Tobacco—				
A. Grain and Flour	6,610,497	4,835,115	13,577,123	9,565,081
B. Feeding-stuffs for Animals	970,179	825,501	1,959,919	1,841,337
C. Animals, Living, for Food	457,289	724,043	1,071,772	1,380,528
D. Meat	6,848,133	6,336,186	14,297,060	13,667,803
E. Dairy Produce	6,852,257	5,634,196	12,701,512	12,277,497
F. Fresh Fruit and Vegetables	2,925,496	3,001,615	5,866,090	6,296,805
G. Beverages and Cocoa Preparations	3,258,364	3,214,203	7,455,361	7,328,307
H. Other Food	3,942,000	4,653,384	8,214,449	9,604,999
I. Tobacco	1,364,848	1,018,520	4,168,635	3,154,944
Total, Class I	33,241,063	30,242,763	69,311,921	65,117,301
I.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	1,626	1,300	2,795	2,199
B. Other Non-Metalliferous Mining and Quarry Products and the like	368,768	329,164	785,629	675,449
C. Iron Ore and Scrap	1,620,465	483,333	3,486,863	880,159
D. Non-Ferrous Metalliferous Ores and Scrap	1,665,543	1,243,448	3,089,029	2,658,002
E. Wood and Timber	2,128,757	1,938,222	5,448,037	4,630,583
F. Raw Cotton and Cotton Waste	3,303,482	1,809,991	6,880,013	4,130,397
G. Wool, Raw and Waste, and Woollen Rags	3,601,249	3,934,973	8,099,861	9,439,928
H. Silk, Raw, Knobs and Noils	232,627	99,407	508,628	255,766
I. Other Textile Materials	1,359,445	1,171,146	2,817,325	2,692,388
J. Seeds and Nuts for Oil				
K. Hides and Skins, Undressed	2,706,671	2,573,749	5,422,534	4,547,812
L. Paper-making Materials	1,852,182	1,323,037	4,041,653	3,600,146
M. Rubber	1,601,547	924,720	3,304,503	2,430,661
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	1,310,059	627,164	2,611,948	1,174,197
Total, Class II	22,536,411	17,160,581	48,217,717	38,593,520
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	853	227	1,327	1,016
B. Pottery, Glass, Abrasives, etc.	550,625	506,309	1,163,904	984,642
C. Iron and Steel and Manufactures thereof	2,124,653	976,432	4,946,302	1,831,927
D. Non-Ferrous Metals and Manufactures thereof	3,059,775	2,882,614	6,553,186	5,898,562
E. Cutlery, Hardware, Implements and Instruments	556,517	493,508	1,131,928	977,839
F. Electrical Goods and Apparatus	248,029	202,912	510,048	429,166
G. Machinery	1,891,559	1,747,513	3,882,168	3,586,159
H. Manufactures of Wood and Timber	553,141	437,939	1,186,627	915,484
I. Cotton Yarns and Manufactures	263,052	238,969	543,477	486,153
J. Woollen and Worsted Yarns and Manufactures	335,710	353,953	616,400	690,573
K. Silk Yarns and Manufactures	474,542	415,809	917,056	858,165
L. Manufactures of other Textile Materials	304,881	335,897	713,037	758,784
M. Apparel	764,412	660,083	1,418,471	1,244,014
N. Footwear	276,981	293,830	452,074	476,125
O. Chemicals, Drugs, Dyes and Colours	922,155	1,126,177	1,985,208	2,200,778
P. Oils, Fats and Resins, Manufactured	3,442,599	3,139,042	7,835,695	6,880,025
Q. Leather and Manufactures thereof	463,331	545,806	1,017,437	1,126,287
R. Paper, Cardboard, etc.	1,233,149	996,406	2,743,176	2,218,415
S. Vehicles (including Locomotives, Ships and Aircraft)	467,965	472,700	1,089,316	922,403
T. Rubber Manufactures	62,002	52,681	121,438	110,603
U. Miscellaneous Articles wholly or mainly Manufactured	1,501,571	1,683,705	3,204,480	3,284,387
Total, Class III	19,497,502	17,562,502	42,062,755	35,881,507
IV.—Animals, not for Food	257,726	268,656	445,957	460,660
V.—Parcel Post	261,196	281,010	594,940	852,130
Total	75,793,898	65,515,512	160,633,290	140,905,118

SHORTER COMMENTS

(Continued from page 593)

British Aluminium Company.—Final dividend of 8½ per cent., making 12½ per cent. for 1938 on capital of £3,000,000. For 1937 12½ per cent. was paid on £2,000,000, £1 15s. 10d. per cent. on £1,000,000 issued during 1938. Net profits increased by £119,488 to £607,670. To depreciation, £50,000 (same). To reserve, £100,000 (same). Carry forward raised by £42,670 to £144,094.

Automatic Telephone and Electric.—Final dividend 7 per cent., making 10 per cent. plus a 2½ per cent. cash bonus. Previous year's dividend 10 per cent. "A" deferred shares and "B" deferred stock also receive 10 per cent. plus cash bonus of 2½ per cent., against 10 per cent. a year ago. Net profits have risen from £148,624 to £202,074 for 1938.

William Beardmore and Company.—Dividend 3½ per cent., less tax, on ordinary stock for period ended December 31st, or

about 7½ per cent. per annum, less tax. Net profit for 1938 of £296,365, comparing approximately with £145,619 in 1937. To preference stock dividend reserve, £160,000; £95,000 carried forward. Last dividend on old ordinary was 6 per cent., tax free, in 1919.

Mappin and Webb, Ltd.—Net profit for 1938, £73,554, against £69,214. To general reserve, £25,000, as before. Tax and N.D.C., £20,000 (same); written off plant, etc., £6,879 (£6,905). Carry forward reduced from £43,436 to £40,804.

THE ECONOMIST

Vol. CXXXIV

MARCH 25, 1939

No. 4987

CONTENTS

LEADING ARTICLES

England Awakes	601
Business Not as Usual	603
The Cost of Education	604
Workmen's Compensation	605

TOPICS OF THE WEEK

An Obnoxious Agreement	607
France and Great Britain	607
American Opinion	608
Victim of the Week	608
Victim of Next Week?	608
Italy's Turn?	609
The Gestapo in Czecho-Slovakia	609
Infra-Aryan Status	609
The Dominions and the Crisis	610
The Opposition	610
Labour and National Service	610
Strength at Sea	610
London's Fares	611
Government Camps	611
Government in Central Africa	611
Mexican Oil	612

OVERSEAS CORRESPONDENCE

United States; France; Germany; Lithuania; India; Japan	612
---	-----

LETTERS TO THE EDITOR

Hungarian Economics	617
Gold by Parcel Post	617

BOOKS AND PUBLICATIONS

Books of Words	618
Shorter Notice	618
Books Received	618

THE BUSINESS WORLD

LEADING ARTICLES	
The Discount Market's Future	619
Armaments Profits Examined	620

FINANCE AND BANKING

Czech Assets in London	623
Foreign Funds and the Czech Embargo	623
Gold Activity	624
Exchanges and the Crisis	624
Indian Banking Results	624
Money Market Notes	625

INSURANCE NOTES

Clerical, Medical and General Life	625
Maritime Insurance Company	626
Marine and General Mutual Life	626
Scottish Equitable Life	626
Standard Life Assurance	626
London Life Association	626

INVESTMENT

An Unsettled Week	627
I.C.I. and Dunlop Rubber	627
Associated Portland Cement	627
British Insulated Cables	628
British Aluminium Progress	628
Associated Electrical Industries	628
Insurance Share Index	628

ELECTRICITY REPORTS

Midland Electric	629
Electrical Distribution of Yorkshire	629
Mersey Power	629
Bournemouth and Poole Electricity	630
South Metropolitan Electric	630

MINING REPORTS

East Geduld	630
Geduld Proprietary	631
Grootvlei	631
Van Dyk	631
Rietfontein II	631
Durban Deep	632
Modderfontein "B" Gold Position	632
City Deep	632

The Week's Company Profits	632
Company Meetings of the Week	632
THE STOCK EXCHANGES	633
CAPITAL ISSUES	634
SHORTER COMMENTS	634

INDUSTRY AND TRADE

New Anglo-Indian Trade Agreement	635
Lancashire's Gain	635
Increase in Building Permits	635
Wartime Regulation of Foods	636
Czecho-Slovakian Steel Industry	636
Wheat Prospects	636
Disappointing Lead Statement	636
Uncertain Tin Supplies	636
INDUSTRIAL REPORTS	638
THE COMMODITY MARKETS	640

COMPANY MEETINGS

CURRENT STATISTICS

MONTHLY TRADE SUPPLEMENT

England Awakes

WITHIN a week the whole aspect of world politics has been changed. Herr Hitler's previous strokes have had the effect of uniting all Germans for the first time in one State. His unprovoked murder of Czech liberty—the first action that took him beyond the limits of the German *Volks*—bids fair to unite the world.

The first reaction of the British public to the news of the invasion of Czecho-Slovakia was indignation. But the indignation seemed on the first day or two to be no greater than on previous occasions. The statements made by the Prime Minister, the Foreign Secretary and the Chancellor of the Exchequer on Wednesday of last week seemed to take special pains to avoid the moral, or even the wider political, aspects of the matter, and to concern themselves mainly with establishing the legal basis for British non-intervention. If allowance is made for his usual exaggeration and his constitutional inability to appreciate a moral issue, Dr Goebbels appeared to be correct in saying that "the reaction in the Western democracies to the dissolution of the former Czecho-Slovakia is practically nil."

But these first appearances were deceptive. It was apparent from the Press and from other sources that the current of indignation ran far deeper, that it was not confined to the declared opponents of the policy of appeasement and that it was reinforced by a growing instinct of alarm for the safety of Britain. The true significance of the murder of Czecho-Slovakia was not that it revealed Hitler as an aggressor and oath-breaker (he has been both

for many years) but that it proved once and for all his unwillingness to forswear the ambition of world domination. The moral, after all, was not lost on the British people, and their reaction was given trenchant expression by the Prime Minister at Birmingham on Friday evening. Overnight the official policy of Great Britain was turned round. Collective resistance took the place of retreat. The British Government has made proposals to France, Russia and others Powers for a joint agreement looking towards collective resistance to any further German aggression. And Lord Halifax, speaking in the House of Lords on Monday, so far from claiming continuity for the Government's policy, went out of his way to emphasise the change that had taken place and adopted for it the oft-reviled name of "collective security."

The public reaction to this rapid change of front by the Government has been truly remarkable. Greater unanimity has been achieved than at any time since the war. Even those organs of the Press that have been most pertinacious in the pursuit of "splendid isolation," most consistent in their condemnation of all attempts to organise international peace, have blessed the new direction of policy. Even those quarters to whom for years the word "Red" has been an epithet of abuse have clamoured for an alliance with Russia. The Soviet Ambassador must, indeed, be amazed at the company in which he suddenly finds himself.

The alacrity and completeness of the changes of opinion that have occurred are such that they are scarcely to be

credited. Those who, like *The Economist*, never having expected anything better, either of the Nazis or of the appeasement policy, have no cause for surprise at the infamy of the one or the failure of the other, may perhaps be forgiven if they ask themselves whether what they hear and see can possibly be true. Yet it has a certain ring of sincerity, and the explanation can be found in the frequency with which those who have shared the Government's awakening speak of their experience as one of release. We now know, what previously we could only guess, that most of those who during the months since Munich have supported the policy of trying to find a basis for accommodation with the dictators, have done so for reasons other than intellectual conviction of the correctness of that policy. They have not, after all, ignored its hideous dangers for Britain. They have not, after all, overlooked the inherent improbability of any moderation being found among the Nazis. Most of the supporters of appeasement, in fact, have been desperately unhappy. They have rejoiced at the permission to speak their minds.

If this psychological analysis is correct, it carries its own dangers with it. There is some risk lest in the reaction from a pacifism without conviction we should run too far towards bellicosity. The change that has come over British national policy is that we now abandon the pretence that Germany is no more likely to aggress than any other power. We recognise the Nazis as the world's most probable aggressors. But we should not forget that the object of all policy must still be defence and, subject only to liberty and independence, the preservation of peace. It is common sense to be clear in our minds that any agreements concluded with Germany are likely only to be snares for the unwary. Entirely irrespective of the merits or demerits of the agreement concluded between British and German industrialists at Düsseldorf last week (which are discussed in a Note on page 607) it is obviously right to say that no further talks can now be undertaken. It is prudent to prevent Germany from reaping the economic benefits of her crime, by blocking Czech balances in London. But it would be as wrong and as foolish in the economic sphere as in the political to take the initiative in making an attack on Germany. We shall do well to remember that "encirclement" is the nightmare not merely of the Nazis but of all Germans. If our new policy is accompanied by economic acts whose purpose is not so much to defend ourselves as to hurt the Germans, we run the risk of doing what none of Hitler's triumphs has succeeded in doing—uniting the German people in his support. If a fight there must be between the Powers, let the Nazis begin it.

A new chapter in British foreign policy is opening. But we do not yet know its detailed contents. The proposal that has been made by Great Britain to France, Russia and Poland is, it appears, that these Powers should take a "common attitude" of resistance to further acts of aggression by Germany and that when such an act occurs the signatories should consult about their common action. This, it will be seen, is no mere Kellogg Pact. It definitely envisages military co-operation to resist attack. It jumps, in principle, the hurdle that has obstructed British foreign policy ever since the war and contemplates British commitments in Eastern Europe. But it still enshrines a reluctance to say clearly and definitely what those commitments should be. It admits that there are some cases in which Britain would intervene in Eastern Europe, but it does not say in terms what those cases are.

This weakness, if it is persisted in, will be fatal to the whole project. For one thing, the support of the countries of Eastern Europe will not be enlisted unless they have precise assurances of support from Britain and France. If Poland, for example, is to come off her traditional fence, she runs a very severe and immediate risk against which she naturally requires full and formidable guarantees. And secondly, obscurity of commitment was the

bane of our intervention in the Czech imbroglio. An obscure commitment opens the way to humiliation for us and to triumph for Hitler. Are we to repeat on the grand scale the story of our "guarantee" of the Czech frontiers?

What, then, should our precise engagements be? We can be quite sure that we shall not get something for nothing. Every engagement will have to be strictly reciprocal. Recognising the imminent danger of world war, we must scan the list of European countries and determine which we should wish to have as our allies. And to those countries we must offer support fully as valuable and sacrificial as we hope to get from them. No other basis is possible. The East will not fight for the West—the smaller Eastern countries will not even fight for themselves—unless the West will fight for the East.

This is, admittedly, a very bitter pill to swallow. It involves undertaking to defend, say, Poland. And that means that if Germany attacks Poland we must make an attack on Germany. To such a desperate state have world affairs descended. But if we refuse this risk we are indeed blind. For it is perfectly obvious now that the German programme involves, at some stage, a reckoning with the Western powers. Do we wish to face that reckoning with allies, who can force Germany to fight on two fronts, or without? There can only be one answer, and we must shoulder the very heavy obligations of that answer in order to draw its benefits.

The line which we are to defend must be drawn with care. The time has passed when we had the strength to secure the whole world. The familiar tactics of brutal ultimatum have, for example, been followed at Memel; but there is no case for resistance to Germany there this week, just as there was no case for armed resistance to the invasion of Bohemia last week. Similarly, Hungary, by her geographical position and her adhesion to the Axis, is placed outside the pale. On the other hand, the line must not be drawn too far to the rear. There is reported to be a section of opinion in the Cabinet that would draw it only in the Near East, and let all Eastern Europe go. That solution would be desirable only if Great Britain herself were secure and it were merely a question of protecting extraneous "interests." But since Great Britain herself is menaced, it is essential to secure support in Eastern Europe; and for that purpose it is necessary to support Eastern Europe.

The sheet-anchor of any such defensive coalition must necessarily be Russia. The doubts felt in Western Europe about the efficiency of post-purge Russia may or may not be justified. But whatever the exact degree of her strength, Russia cannot by any stretch of language be called a weakness to her allies. Turkey is another essential pivot of the combination, Roumania a third. Greece is necessary for the safety of the Eastern Mediterranean. Poland, though her past mistakes in policy are now coming home to roost, is still a desirable member of any collective attempt to put limits to German aggression.

Whether other nations should be included in the alliance is no longer a question of policy but of strategy. The only political point—but it is vital—is that, wherever the line is drawn, it must be drawn with precision, and our united stand taken on it with all our forces. The doctrine of limited commitments must go once and for all. We can clearly see now where that doctrine has led us. The attempt to limit Britain's commitments has not prevented us from having those commitments forced upon us in the end; it has merely meant that we have delayed in assuming them until their weight is well-nigh crushing.

Mr Chamberlain compared his position some months ago to that of William Pitt. If now he will adopt Pitt's policy; if he will not hang back out of commitments but will take the lead in rousing a continent for collective self-defence, we can still save Europe by our example and England by our exertions.

Business Not as Usual

ONE of the most striking passages in Mr Chamberlain's very striking speech at Birmingham last Friday declared the necessity for reviewing, in the light of the new situation, the whole of the domestic, as well as the foreign, policy of the country. "Every aspect of our national life," he said, "must be looked at again" from the angle of national safety; "nothing must be excluded" from the survey. Reviews of defence policy have been promised in the past; after Munich, for example, Sir John Simon promised a review that was to be "vigorous, complete, remorseless and urgent." But there is reason for hoping that the expectations will not be so completely disappointed on this occasion as in the past. The mere completeness of the change in the Government's foreign policy is itself a guarantee that in other directions the main object of investigation will no longer be to find reasons for avoiding change.

The full consequences of this re-orientation will not be apparent for a long time to come. Some conclusions, however, can be drawn at once. For many months the question of foreign policy has divided the Government from the Opposition. If now, as may become apparent, the Government have been converted to the Opposition view, there is no immediate issue of moment dividing the parties. When the Government have carried their diplomatic negotiations to the successful conclusion which will at once create a defensive coalition in Europe and establish their own *bona fides* as advocates of collective security, the way will be clear for that National Government which has for so long seemed unattainable. Mr Chamberlain himself, indeed, in those circumstances might be the ideal leader of opinion, and if he could form a Government embracing not merely the two Opposition parties but also personalities such as Mr Churchill, Mr Eden and Mr Lloyd George and representatives both of the trade unions and of the Dominions, no more eloquent testimony could be given of the unity and will to resistance of all the British peoples.

A second task which has to be faced at once will be virtually impossible to solve without such a National Government, but almost automatically solved with it. This is the problem of compulsion—the word is used advisedly instead of the more familiar conscription, since it is a distortion of reality to pretend that the needs of the nation begin and end with the drafting of young men for the fighting forces. It is true that, if full confidence is to be felt on the Continent, and especially in France, in Britain's new determination, the armed forces of the Crown will have to be very rapidly increased in size. But conscription in this narrow sense is not the only pressing problem calling for the use of compulsion; nor is there any possibility of securing it in this liberty-loving land if the lives of young men alone are to be conscripted. Conscription is essentially a whole-hog matter, and those who lay emphasis solely on its military aspects are defeating their own ends. If we are to have conscription (and of the need for it few are now unconvinced) it must be levied on the old as well as the young, on property as well as on persons, on wealth as well as on life. In the present temper of the people a truly National Government would be granted the power to call on the people and the property of the country for sacrifices. Anything less sweeping will only stir up dissension and disunity.

A third aspect of the review of our national life concerns its economic activities. Hitherto the declared policy of the Government has been to draw up the defence programme in such a way as to occasion the smallest possible interference with peace-time activities. "Business As

Usual" has been the motto. The policy has been criticised, in *The Economist* and in many other places, on the grounds that the effort of co-ordination by some such device as a Ministry of Supply, though it might have a more impressive façade of intervention, would in fact result in less dislocation. The elements of the problem, however, are now changing. Massive interference is no longer to be avoided. At the time of the publication of the figure of defence borrowing during the coming financial year the opinion was expressed here that expenditure of this magnitude might be accommodated in the economic mechanism without imposing any drastic limitations on the supply of goods for other purposes, but "it will be a tight squeeze." That was a conservative estimate, and it is at least as probable that the financing of £350 millions of expenditure by borrowing will give rise to some phenomena of inflation. Inflation is not only dangerous in itself; it is at once a symptom of deficiencies in the economic mechanism and a most inefficient and inequitable method of eliminating them.

If this is the conclusion on the defence programme as it now stands, how much more true will it be of the defence programme as it is soon to be expanded? If we are to avoid inflation—and the avoidance of it should be a primary aim of policy—we must begin now to achieve by direct control that redistribution of resources that comes about haphazard by inflation. If it is necessary to secure for armament production the equipment and personnel of, say, a motor factory, it is infinitely better to do it by direct order than by waiting until competition for plant and workers drives up the prices of cars and reduces the demand for them. The one great lesson that can be drawn from German economic experience in the past three years is that well-organised control can secure the maximum utilisation of a country's resources for the piling up of armaments without resort to inflation. We shall be blind if we ignore this lesson or allow the superficial attractiveness of business as usual to conceal the fact that from now on business cannot be as usual.

The events of the past week reinforce a hundredfold the arguments for a Ministry of Supply, charged with the duty of co-ordinating industrial effort and equipped with all the powers of compulsory priority that are necessary to ensure its effectiveness. The conscription of industrial capacity is the essential counterpart of the conscription of man-power. Both are distasteful in the extreme. Both are necessary. Both, it is to be hoped, will figure in the Government's review of national policy.

THE ECONOMIST BY AIR

To meet the growing demand from overseas readers for *The Economist* by air, special subscription rates have been introduced applicable to those countries to which Letter Mail is now normally transmitted by air. These are as follows:

	12 months			6 months		
	£	s.	d.	£	s.	d.
Europe	4	17	6	2	8	9
Empire Air Routes	6	10	0	3	5	0

These rates include all supplements, but the latter will be sent by the surface routes and not by Letter Mail.

Unexpired subscriptions may be transferred to the new category on application to

THE PUBLISHER, THE ECONOMIST,
8 BOUVERIE STREET, LONDON, E.C.4

The Cost of Education

BY next year, according to the present estimates, the Government's expenditure on the fighting services will have risen fivefold in five years. More than a tenth of the national income will be used for defence and arms. Yet, despite re-armament, expenditure on civil needs, on education, health, labour, insurance, roads and the like, has not fallen. In fact, during the same half-decade it has risen by something like one-fifth.

Even by the strictest canons of national defence needs, money spent on civil and social services is not money wasted. These are the country's human and personal defences. Of no branch of State effort are these considerations more true than of education. It so happens that, just when a wholesale review of national life has been made imperative, two annual publications appraising the scale and development of British education have made their appearance. The Board of Education's Memorandum on the Education Estimates*, prepared to explain the ways in which public funds are spent, is always a revealing document; while the Institute of Education's Year Book† provides, not only a summary review of education in Britain compared with education overseas, but also an informed account of outstanding problems and current researches.

Education cannot be measured by statistics. Its fruits of knowledge, aptitude and character cannot be weighed or counted. But the rise in expenditure tells its own story. In 1913-14 the expenditure of local education authorities on elementary and higher education, including the grants-in-aid they received from the national Exchequer, was (in round figures) £30 millions; in 1939-40 it will be over £96 millions. The net estimates of the Board of Education in 1913-14 amounted to £14,660,311; for 1939-40 they are £52,242,026.‡ The number of children in schools has not risen threefold; the number in secondary schools has, it is true, increased from nearly 188,000 in 1913 to about 490,000 last year; but the number of elementary school children has actually fallen by nearly a million from the 1913 figure of 5,381,000.

It is the annual cost per child that has increased. In elementary schools it has risen since 1913 from £4 15s. to £16 17s., and in secondary schools from £12 10s. to about £30. The reasons for the growth are clear. The cost of teachers' salaries in elementary schools has risen from just over £3 per child in 1913 to sixpence short of £10 next year. Salaries take close on 60 per cent. of expenditure, and for elementary teachers in full-time employment average £258 a year. The success of schooling depends upon the quality of the teachers, and this increase in remuneration has been wholly advantageous. But it has not stood alone. In 1913 no money was spent on maintenance allowances, on the conveyance of children over long distances safely to school, on reorganisation and development, or on teachers' superannuation. Next year these charges will total nearly £6 millions. Similarly, expenditure in 1913 on special services, such as medical inspection, was only £898,000, while next year, now that the special services provided include meals, numerous special schools for defective and disabled children, physical training, play centres and nursery schools, it will be £6½ millions, or nearly 9 per cent. of the total cost of elementary schools; it will be £1½ millions

more than only four years ago. This, the most important sector of the educational front to-day, represents the fight for good health and good nutrition.

Nevertheless, it is not the size of expenditure alone that tells the story; its distribution is equally significant. Out of the local education authorities' total expenditure next year, £46½ millions, or very nearly half, will be contributed from taxes through grants-in-aid. Grants for elementary education, allocated according to a complicated formula based upon the authorities' approved expenditure, the number of children in their schools and the wealth or poverty of the respective areas (in terms of rateable value), will amount to £35½ millions; for higher education, which includes teachers' training and technical instruction as well as secondary schools, they will be £11 millions, or 50 per cent. of the total charge.

In the allocation of grants an effort is made to distribute financial assistance most generously to the areas that most need it, by reason of their poverty and/or the calls made upon them. It is here that the importance of distribution becomes most evident; and it is on this point that, by good fortune, the Institute's Year Book for 1939 has new and remarkably significant figures and information to be studied. Dr N. Hans, who has had access to the files and records of the Board of Education, contributes an exhaustive analysis of local and regional variations in educational finance and facilities which is without doubt the Year Book's chief feature.

From Dr Hans's tables it is immediately clear that enormous headway has been made in the direction of spreading the burden equitably between districts. The extreme anomalies of a generation ago have been widely mitigated. The "ability" of authorities to raise money, the "necessity" of spending money and the varying "effort" made by different authorities to reach a high standard of educational achievement have all been taken into account in successive attempts up to 1932 to devise a satisfactory system of apportioning grants to local authorities.

Even so, this probably remains the least satisfactory aspect of British education. It is reasonable, in view of their different economic positions, that Durham and the Holland division of Lincoln among counties should receive over 60 per cent. of their expenditure on elementary education from grants, against an average for all counties of 52 per cent. and 36-37 per cent. in London and Surrey; that among county boroughs, where the average percentage is 51, St. Helens should draw 64 per cent. from grants and Bournemouth only 18; and that, among boroughs and urban districts, where the average is 49 per cent., Jarrow should get 77 per cent. and Hove only 8½. But serious differences persist. To maintain approximately the same expenditure per elementary school child, West Bromwich levies a rate of 46d. in the £ and Bournemouth one of 12.8d. The expenditure per child in Hartlepool and Salisbury is roughly the same; their education rates are 49.6d. and 19.6d. respectively.

Local variations of this kind weigh heavily upon the progress of policy. In recent years, for instance, the watchword in elementary education has been reorganisation: that is, the local authorities have been exhorted to make "provision for the advanced instruction of children over the age of 11 by giving opportunities for suitable classification and organisation." The movement has taken the form of setting up senior schools and senior departments for children not proceeding at 11+ to secondary schools. To-day, about two-thirds of all the school children in England aged over 11 are in reorganised schools. Nearly half the county boroughs, two-thirds of the boroughs and

urban districts and over a quarter of the urban county areas have virtually completed their reorganisation. But there is quite another picture in rural areas. Ten small rural authorities had done no reorganisation less than two years ago; seventeen had less than a tenth of their children over 11 in senior schools; sixteen others have less than a third; and only four large ones have over a third. In all, probably less than a third of rural school children are in reorganised schools and departments.

The failure of some authorities to keep pace in the campaign to provide new types of schools, like the failure to replace about a third of the schools black-listed some years ago as unfit for use, to relieve overcrowding or to cater for the educational needs of growing areas, is not, of course, entirely due to inadequate local income per head. It may be due to the difficult lie of the land in the countryside or the scattered and scanty nature of the population, to local jealousies or historical factors. But it is disquieting evidence of the unfortunate regional differences in British administration which State policy, administrative and financial, is still unable to remove.

If we turn from elementary to secondary and technical education the same variations are visible. Surrey spends nearly twice as much per possible pupil on higher education as Durham, but Surrey's higher-education rate is only a third of Durham's. St. Helens spends the same per possible pupil as Bournemouth, but its rate is six times as big. And these differences are thrown into relief because the percentage rate of grants for higher education is very much more uniform than in the case of elementary education.

Here, too, the undesirable differences between one area and another go beyond purely financial discrepancies. For secondary education Dr Hans has worked out in each area the percentage relation between the number of elementary school children admitted to grant-aided secondary schools in 1937 and the number of children aged 10-11 in elementary schools in 1936. For all England the percentage was 12.8; in Staffordshire it was 7.6; in Durham it was 9.5; in London it was 11.4; and in a group of agricultural counties it ranged between 14 and 18. Among cities it was 26 per cent. in Bradford and 20 per cent. in Plymouth and Sheffield; in Salford, Sunderland and West Ham it was about 7 per cent.; and in Hull, Liverpool and Nottingham between 9 and 10. Many factors go to explain these variations in the proportion of elementary pupils passing to secondary schools besides the ability and readiness of authorities to furnish facilities. The extent of juvenile employment in industrial districts

and its absence in country areas are clearly relevant. So, too, are the different rates at which the populations of these different places have been recently rising. But, at bottom, it remains clear that, neither in the financing of local education nor in the demarcation of administrative areas, has public policy yet devised methods whereby the cost of providing equal educational opportunities for all children, wherever they may live, can be fairly and efficiently apportioned.

To examine the special field of technical instruction—a sector of higher education which is of immense importance in these days of mechanics, engineering, industrial adjustment and re-armament—is but to underline the same moral. There are a million students in technical colleges, evening institutes, technical schools, art schools and commercial schools; and only 40,000 are full-time day students. These are only a small part of the boys and girls that might, in their own and the nation's interests, profit by technical training. In 1935-36 the number of students in these institutions aged 13-18 was only 16 per cent. of the population aged 8-13 in the census year five years before; and even this low ratio of actual to possible students marked a remarkable and disturbing variation from district to district. In London, the ratio was as high as a quarter; in Durham it was barely a tenth, and in Staffordshire just over a seventh. Nor were deficiencies in any sense confined to rural or scattered districts; Buckinghamshire, Wiltshire and Oxfordshire were well above the average; and 121 urban centres with more than 50,000 inhabitants had no junior technical schools at all.

In the technical field the cure for the present lack of co-ordinated policy and for these considerable local variations has been officially adjudged to be concerted action by joint authorities over wider areas. Regional councils for technical education are already at work in Yorkshire, the West Midlands and the Manchester district, as well as on Merseyside.

The picture drawn by the Board's Memorandum is impressive. But there are many things awry—things which specially need a policy to redress them when we are constrained by circumstances to strive to get the last ounce of value, in terms of the nation's resources of personnel, out of our educational effort. Present methods of local administration and finance are more than a little responsible for the chief evil, which is the wide disparity between regions in every branch of education. It would be timely to remember that democracy implies equality of opportunity between places as well as between persons. Indeed, the one is bound up with the other.

Workmen's Compensation

ONE outstanding problem has lain without satisfactory solution on the hearthstone of the industrial system since the days of Watt's steam engine. This is the problem of providing for the wage-earning victims of industrial accident and disease. The prior remedy is admittedly to prevent casualties of all kinds in places of work, and notable progress has been made in this direction by a long series of Factory Acts. Only in the summer of last year this generation's great consolidated Factory Act passed partially into operation; and only this week the House of Commons has been debating proposals to lessen the toll of life and limb and health in coal mines.

But, if anything, deaths and accidents in industrial employment have lately shown a tendency to grow in number; and it was the findings of a Royal Commission set up to recommend means of stemming the growing dangers of mining that the Commons had before them on Monday. Redress is so important because protection is incomplete. That is another Royal Commission is

even now at work examining the present scale and character of the compensation accorded to injured and sick workmen or, in fatal cases, to their dependants. So long as yearly deaths in shipping, factories, docks, mines, quarries, building and railways exceed 2,000 and non-fatal injuries hover between 400,000 and half a million every year, workmen's compensation will remain an item of pre-eminent social importance in British industrial law.

The present law of workmen's compensation has been evolved haltingly in the course of a century, and there are few people to-day who would claim that, as it stands, it provides a full and sufficient statement of the material obligations owed by industry, and indeed by the community at large, to the victims of a mechanical age. The statutory right of a workman to claim a measure of compensation for injuries received in his employment, and of his dependants to claim compensation in the event of his death, is now firmly established. It is the measure or amount of compensation accorded and the means whereby

* "Memorandum on The Board of Education Estimates, 1939." H.M. Stationery Office. 6d.

† "The Year Book of Education." Edited by Harley V. Usill and an Editorial Board. Evans Bros., Ltd., Russell Square, W.C.1.

‡ The post-war introduction of a new method of superannuation payments and the revision of the system of grants-in-aid to local authorities render these comparisons only approximate.

claims are made and recognised that is in dispute; it is because there are still grave occupational diseases not scheduled for special treatment that critics complain.

To this accumulated tangle of legislative measures made *ad hoc* in the past Sir Arnold Wilson and Dr Hermann Levy have turned their attention in their campaign for needed social reforms that has already starkly exposed the more obvious abuses of industrial assurance. This first volume* is largely designed to clear the ground: to tell the story of workmen's compensation to date and to pose the problems which the Royal Commission and their own second volume will seek to solve.

The story covers three clearly defined periods. The first is that long period of over a hundred years during which the ordinary wage contract was presumed to cover all the risks and dangers of work with new-fangled machines and processes. This was a time when victims of industrial accident commonly found themselves left to the mercy of God and good neighbours, either because of their inability to sue employers under the Common Law or because justice in the hands of unsympathetic judges was too heavily weighted in favour of factory and mine-owners. The second is the short period after employers' liability was conceded by Parliament in 1880; then compensation was still in most cases denied, because of the ignorance of workers, the cost of taking a case to court, and the unscrupulous evasion by employers of their responsibilities under the Act. Lastly, there come the years after the passing of the first Workmen's Compensation Act in 1897. This is the period of our own lifetime, during which commissions of inquiry and a concatenation of amending Acts have stumbled reluctantly, and so far unsuccessfully, towards that adequate protection which humanity and justice should afford those stricken on the industrial field.

This is not a story that can simply be told as an exposition of a phase of industrial history hitherto only sketchily treated. Nor do Sir Arnold Wilson and Dr Levy treat it so. Their objective account is admirable, but it involves, inevitably and characteristically, strong criticism of Governments, of employers and of insurance companies. Throughout, cogent arguments are being ranged for the remaking of the whole *corpus* of existing compensation legislation. It is contended that, from beginning to end of what may be termed the compensation period which began forty-odd years ago, this problem has defied solution because Governments, backed by employers and insurance companies, have steadfastly refused to examine fully and impartially the evidence in favour of complete State control repeatedly brought to light by committees of enquiry and in Parliamentary debates. The nationalisation of insurance has many more angles than the compensation one, and it is a thorny question too much beloved of doctrinaires. But it is hard to see why the State's interest in compensation should not be as direct as in unemployment insurance; and it is hard, too, to disagree with the authors when they deprecate strongly the reluctance of Governments to compel all employers to insure against industrial accident, even though facts and figures showed abundantly that this omission was leaving thousands of workers completely unprotected. Nor is their insistence upon the need for strong central control of workmen's compensation heterodox or novel. It was the Holman Gregory Committee which recommended, twenty years ago, that a Commissioner should be appointed to supervise and control the working of the Acts.

In general, Sir Arnold Wilson and Dr Levy echo the views of a majority of critics and all trade unionists when they condemn the mistaken application of so-called *laissez faire* doctrines which has repeatedly operated to defeat any suggestion for an all-in scheme of State Assurance on lines similar to those successfully run in other countries.

* "Workmen's Compensation." Volume One. By Sir A. Wilson and Dr H. Levy. Oxford University Press. 328 pages. 10s.

The critics have not yet proved their case, though in view of present discontents it is *prima facie* persuasive and worthy of closer attention than it has so far been given.

So far the critics, in this book as in other books and many speeches, have scarcely done their case full justice. There is a lack of statistical documentation to point the main heads of the argument, which is not remedied, for instance, by the incomplete and unco-ordinated figures of fatalities given in the preface to this volume. One would have thought that a great deal of information of this kind could have been secured from trade union sources. It is almost certain that complete figures at least for the mining industry are available. In view of the evident desire to impress readers with the urgent need for reform this lack of data is unfortunate; and, above all, the authors, like all the legion of would-be-reformers, might have provided more information about the State schemes operated in Germany and the Dominions which are so often commended. Most people are wisely sceptical about importing ready-made solutions for social ills.

In addition, the reader will miss in the later chapters reference to one important defect of the existing law. Time was when men injured but so far recovered as to be able to do light work could depend upon being offered a suitable job at mine or factory. In these days very few are looked after in this way, though their compensation is still curtailed. There are hundreds of light-rate compensation men to-day eking out a miserable existence with the aid of poor relief. This is particularly true among men suffering from nystagmus in the mining areas. Indeed, many of these are left stranded, even after they have completely recovered, because employers refuse to engage or re-engage a man who is likely to contract the disease again after only a few months at his old work.

This is only one among many defects of the current law. In sum, do they call for the root-and-branch changes the critics demand? It is not easy to say. It was *The Economist* which said, sixteen years ago,

logically insurance should be made compulsory and be under strict State supervision; we who have learned that strict logic makes a sorry mess of human affairs leave insurance voluntary but, by an agreement with the insurance offices, make it so attractive that employers have little excuse for not carrying out their liabilities.

It is only if those liabilities are not fulfilled that there is any case for drastically amending the law. The case for change put by the authors of this book and like-minded people rest upon evidence of liabilities insufficiently met. The reduction of compensation in cases of partially incapacitated workers certified as fit for light work that they cannot get is only one case in point. The fact that a man deprived for ever of work, and having a wife and three children, may receive less than 30s. a week in compensation is another and more serious one. In cases of death a widow can get no more than a lump sum of £600 as compensation; and, commonly, much less is awarded.

These are the concrete grounds for reform, in addition to the dissatisfaction that persists about the prevailing system of medical inspection. It matters little whether the State achieves the rectification of these ills or whether the employers do it in conjunction with the insurance companies. The point is that it must be done. No conflict about the merits and demerits of State and private enterprise should be permitted to stand in the way. Two things at any rate seem certain. First, even if the present basis of legislation is preserved after the Royal Commission have said their say, the law will require some officer, such as the commissioner proposed in 1919, to be Parliament's "remembrancer" to secure its uniform administration. Secondly, and more generally, the question of compensation must always, if it is ever to be satisfactorily answered, be considered first and last from the standpoint of those to whose lot it falls to bear the heat and risk of the nation's work in dangerous places. No other view is germane.

Topics of the Week

An Obnoxious Agreement.—It is a very great pity that the bursting of the international crisis has affected the fate of the agreement concluded at Duesseldorf last week by representatives of the Federation of British Industries and its German counterpart, the *Reichsgruppe Industrie*. For compelling reasons of a general nature the Government have been prompt to declare that the agreement must be regarded as stillborn. Mr Stanley on Wednesday and the Prime Minister on Thursday shared the regret that political considerations have killed the agreement. The reasons, however, are different; for the F.B.I. regard the suspension as a mere postponement, and Mr Stanley described it as "a valuable piece of work which might have served as a basis on which the individual industries of the manufacturing countries of the world could have solved a great many of their difficulties," while *The Economist's* regret at the irruption of the crisis arises solely from the fact that the obnoxious character of the agreement as an instrument of purely commercial policy is thereby obscured. It may be as well to recall the circumstances in which the F.B.I. delegation went to Germany. It had been officially recognised that German methods of trading—subsidies, exchange manipulation, trade control by the Government for political ends—were harmful and wrong. The strongest warnings had been given by Mr Stanley and Mr Hudson that if the Germans did not desist from their objectionable practices Britain would "fight them with their own weapons" and "beat them at their own game." But since commercial peace will always be preferable to commercial war, Germany was to be offered a peaceful opportunity to mend her commercial ways. That was certainly the assumption on which the idea of negotiating was widely approved.

Of condemnation of German methods, even by the gentlest and most indirect implication, the agreement is entirely innocent. Indeed, by including as one of the approved objects of trade the provision of "a volume of foreign currency sufficient for [Germany's] economic needs" it concedes the whole basis of Dr Schacht's policy. A number of changes in policies hitherto pursued are approved in the agreement. But without exception they are all changes not in German but in British policies: the creation of international agreements to put an end to our familiar friend "destructive competition"; a policy of securing complete co-operation not merely in export trade but "throughout the industrial structure" of the two countries (i.e. complete domestic cartelisation); and, so far from abandoning the subsidisation of German exports, a project for joint Anglo-German subsidies. Instead of securing from the Germans an abandonment of their unfair methods, the British negotiators seem to have swallowed them, lock, stock and barrel. The lengths to which this collaboration is apparently to go is indicated by the most amazing paragraph of the whole document, which deserves quotation in full:—

The two organisations realise that in certain cases the advantages of agreements between the industries of countries or of a group of countries may be nullified by competition from the industries in some other country that refuses to become a party to the agreement. In such circumstances it may be necessary for the organisations to obtain the help of their Governments, and the two organisations agree to collaborate in seeking that help.

The United States is one country that would be most unlikely to "become a party to the agreement." The clause consequently means that in given circumstances the F.B.I. contemplates seeking British Government subsidies to help German trade against American. Is there something in the atmosphere of Duesseldorf that causes sensible men to lose their wits?

The agreement contains a number of the conventional sentiments about the necessity of increasing international trade, of not penalising the consumer and of leaving the agreement open to any country's adhesion. But its substance is this: Provided Germany does not encroach on British trade preserves or reduce the profit margin of British exporting industries, Great Britain will not concern herself with what Germany does to other people's trade or by what means. This policy may just conceivably be in the very short-term interests of the firms represented in the F.B.I. It is certainly not in the interests, either at short term or at long, of the British community as a whole. We repeat our regret that the international crisis has come to confuse the issue. That issue is, in a word, that the agreement proposes to compound a commercial felony.

* * *

France and Great Britain.—The measure of Herr Hitler's miscalculation—if he sincerely believes in the decadence of the West—has already been given by the reactions in France and in Great Britain, and not least by the further proofs of the solidarity of will and feeling between the two West European democratic Great Powers. In the Chamber in Paris on the 18th, the Prime Minister called for the conferment on the Government of extensive special powers, for the reinforcement of the national defences, to last till November 30th. After a debate in which M. Daladier refused all compromise, he was duly voted plenary powers, for the period in question—in the Chamber by 321 votes to 264 and in the Senate by 286 votes to 17. In virtue of these votes, the Government promulgated, on Tuesday, a series of decrees covering most of the field of public life, and falling under the three main heads of security, production and economies. The new measures for active, as well as passive, national defence, notable though they are, are not so significant as those providing for the mobilisation of the nation's economic energies. There has never been any doubt about the excellence of the French armed forces—notwithstanding certain gaps which the authorities have latterly been making good. The economic home front has been, all along, the danger point. Had the country the facilities, and had the workers the will, to raise the national production for war purposes to the necessary level, and then keep it there? The key-measure in this connection is the decree providing for a 60-hour week throughout the national defence industries. By nature the French are one of the hardest-working nations in the world; and when political inhibitions on hard work are overridden by patriotism, there is likely to be a formidable release of national energy.

phone
STOCKHOLM 0101
for all kinds of
foreign exchange
transactions

SKANDINAVISKA BANKEN

It was a happy coincidence that the day which saw the publication of these decrees also saw the arrival of the President of the Republic and Madame Lebrun in London to return the visit paid to France by the King and Queen last July. For once, Herr Hitler has timed one of his *coups* unfortunately for himself. His seizure of Czecho-Slovakia has made it clear to all citizens of the Western democracies—even including Cabinet Ministers—that nothing short of complete solidarity can avail to overcome the world danger to our common “conceptions of honour, of justice, of human dignity, of respect for treaties and for one’s pledged word, and our common attachment to the liberty of thought, speech and writing, and, in fact, to liberty of life.” These words were spoken by the President himself in his reply to the King’s speech at the State banquet at Buckingham Palace on Tuesday night. The welcome which the President had by then already received from the British public showed that they had instinctively anticipated the points that he was to formulate. It is now for British and French statesmanship to see to it that this “union now” between Great Britain and France becomes a nucleus for a rally of all Governments, peoples and men and women of good will throughout the world in defence of the imperilled foundations of our civilisation.

* * *

American Opinion.—Herr Hitler’s seizure of Czecho-Slovakia has evoked strong reactions at Washington and throughout the United States. The penalisation of German imports, which happens, not inopportunely, to have coincided in date with Herr Hitler’s *coup*, was of course a reply, not to this, but to Germany’s unfair methods of trading. Since then, on the 17th, the “temporary extinguishment” of Czecho-Slovakia has been made the subject of a public statement by the Assistant Secretary of State. Mr Sumner Welles condemned Herr Hitler’s crime in plain terms, and declared that “acts of wanton lawlessness and arbitrary force” were “threatening world peace and the very structure of modern civilisation.” On the 18th a notification of Germany’s annexation of Bohemia and Moravia was handed to Mr Welles by the German *chargé d’affaires* in Washington. The American reply, which was delivered on the 20th, stated that the Government of the United States does not recognise that any legal basis exists for the *de facto* administration of Bohemia and Moravia by the German authorities. A copy of Mr Welles’ statement of the 17th was annexed. The Czech Minister in Washington is refusing to surrender his Legation and Consulate to the Germans, and Dr Benes is forming a Czech provisional Government in America. We may venture to speculate that to-day this Czech provisional Government abroad may be as near to becoming the *de facto*, as well as *de jure*, Government of its home country as its predecessor was in March, 1918.

* * *

At Washington, meanwhile, the revision of the existing neutrality legislation has become an urgent matter of practical politics. That substantial revision, in a sense unfavourable to the Axis, will take place in the near future seems highly probable. But the important thing, behind all political moves, is the movement of American public feeling and opinion. Shall the United States stand aside if Germany makes a bid for the domination of Europe? Or shall there be an alignment with the West European democracies in order to fight the winning battle further afield than the last ditch? This issue, which has been before the American people for many months past, has now become acute. The decision is the American people’s own affair; but, as far as they are influenced by external events, we may guess that the most potent factor here will be the attitude of the British Government during these coming days and weeks. Feebleness and irresolution in London now might alienate America once for all. We trust that our Government realise this and have taken it to heart.

* * *

Victim of the Week.—On Wednesday of this week, after the Lithuanian Foreign Minister had received from

Herr von Ribbentrop an ultimatum backed by threat of immediate invasion, the Memelland passed under German sovereignty, and a sixteen-year-old incident in Baltic history for which the Allied Powers must bear the final responsibility and the unquestionable odium was thus concluded. Few will now contest the injustice of Memel’s separation from East Prussia, carried out as it was by force against the wish of the population or even of the Conference of Ambassadors at the time. When so much is admitted, there remains, as one more example of Nazi methods, the brutal dishonesty with which Memel is brought back into the Reich and the question of why Herr Hitler should have chosen this particular moment for his action. With Germany’s overwhelming force next door, the Lithuanians would, of course, have continued to observe most scrupulously the terms of the Memel Statute, and they proved this only recently by revising the high-handed methods they used when Germany was a Republic; Herr Hitler assured Mr Chamberlain that he was satisfied with the Memel Statute and had no wish to make a change—and there is, too, the relatively academic point that his assurance carried the force of a solemn promise. If he has lost little morally, it is because he has little left to lose. Economically he has gained nothing, for Memel’s importance cannot be enhanced by *Anschluss*, but may, if the Lithuanians retain their liberty to improve the roadstead of Libaja, even be diminished. Politically he has given the Polish Government and people, faced now with German arms creeping round their northern and southern frontiers, one more push towards the Western Powers, and to those Powers new proof that the Nazi word is valueless when reckoned against self-interest. He has removed the last doubt in our minds, not that resistance must be prepared, but that it must be prepared with the most urgent speed. There remains only the strategic reason. Were the Lithuanians really preparing for union with Poland? Was Poland ready to take her stand on Kovno? The Germans seem to have thought so. For with Memel in their hands it is only a matter of time before Lithuania asks for German “protection”; and for a nation standing to arms the butter of Lithuania will come far more gratefully than the guns of Bohemia and Moravia.

* * *

Victim of Next Week?—When the German divisions moved eastwards out of Prague in the middle of last week, stopping only to leave garrisons behind them, it looked as if they were bound for the Roumanian frontier. Hungary then continued the mobilisation she had carried out for the occupation of Ruthenia, and suspicions were deepened. With the British Cabinet’s emergency meeting on Saturday evening to consider a report handed to the Foreign Office by M. Tilea, Roumanian Minister in London, to the effect that King Carol was facing an “economic ultimatum” (origin of the label unknown) which would reduce Roumania to vassalage wherein she would close down her own industries and concentrate on producing food and oil for the Reich, it seemed certain that Roumania was next on the Nazi list. There followed the speedy diplomatic moves which we discuss elsewhere. Over the week-end, however, the situation became clearer. King Carol, it appeared, had adroitly turned to his own advantage a turn of events which might otherwise have left him without means of resisting Germany’s trade envoys. Like all other East European States, Roumania cannot afford to antagonise Germany without possessing a well-defined alternative policy. Last week she lacked that alternative. Herr Wohlthat and his colleagues were busy pressing on their Roumanian opposite numbers what Herr Funk had failed to induce Belgrade to accept—namely, complete priority for German economic needs with all that this would entail. There existed no sign, spasmodic gestures by France and Britain apart, that Roumania might hope for help elsewhere. Failing that help, she must have put her signature to Herr Wohlthat’s documents. Then, by what may or may not have been a lucky coincidence, the Germans invaded Bohemia, took charge of Slovakia, and everything was changed. Without finally breaking off negotiations (for that might be exceeding the safety line), the Roumanians rejected the “ultimatum” and warned the

British Government. The danger to Roumania was for the moment averted, though a trade agreement conferring large benefits on Germany was, after all, signed at Bucharest on Thursday. Far better reason for anxiety now exists in Warsaw. The achievement of a common frontier with Hungary is a poor return for a German encirclement that is now on three sides of Poland, and in this gloomy perspective it is being seen by the Polish public. On the 19th President Moscicki saw fit to broadcast to the nation an address in which he said that “we shall not surrender our destiny to alien protection”; and on that same day, as if to push home the British Government’s invitation to sign a multilateral declaration, Mr Hudson arrived in Warsaw. The Poles have always declared that they will fight rather than submit to political disintegration; they may now ask themselves whether they have not reached the point of proving that determination by joining the Powers which are now uniting against German aggression.

* * *

Italy’s Turn?—Two weeks ago it was a common question whether Signor Mussolini could formulate his precise claims on France without the effect of an anticlimax. In the calm atmosphere which prophets in Whitehall were reckoning a new period of grace there seemed no place for *sacro egoismo* of the Fascist brand. The troops in Libya, it was felt, might provide the means of screwing up that tension which normally precedes demands on the democracies. In the event, the senior partner has obliged; and one big question left to be answered is what effect the German *coup* is having on the junior partner. Perhaps unfortunately for him, Signor Mussolini has several obvious opportunities of answering this question. On Tuesday, while his Ambassador in Berlin was returning to report, the Duce conferred with the Grand Fascist Council and later issued a “full reaffirmation of agreement with the policy of the Rome-Berlin Axis.” He could do no less; but it will not be so easy to let pass the occasion of his speech on Sunday without more pregnant phrases. On responsible Italian opinion the German advance south-eastwards will have the double-edged effect which all German successes are wont to have in Rome. Those who argue that Italy can sustain a joint war against the Western Powers, that it is worth her while to do so, and indeed that only by doing so can she reap the lost fruits of 1919, will doubtless be pleased by the news, though their pleasure will be mitigated by the probability that the Western Powers at last mean business. Those others who regard German competition as more of a danger to Italian commercial and political influence in the Balkans than an assistance to African conquest, and who are unwilling to take the Rome-Berlin Axis beyond its original scope of “nuisance value,” will see in last week’s events another confirmation of the fears that troubled them when the Reichswehr set its standards on the Brenner. To-day there can be no further hope of detaching Britain from France, and Italy’s task must seem in Rome immeasurably harder. In his speech to the new Chamber of Fascios and Corporations on Thursday, King Victor gave a key to the Italian viewpoint when he said that, “regarding France, my Government, in an official note of December 17th last, formulated the questions which divide the two countries at this moment.” The note referred to was that which denounced the 1935 agreement and invited negotiation; and, taken in context with the rest of this rather peaceable speech, this statement might be taken to mean that no new formulation of demands need after all be expected.

* * *

The Gestapo in Czecho-Slovakia.—During the war of 1914-18 many countries, from Belgium to the Ukraine, experienced the terror and oppression of a German occupation. But that was child’s play compared with what the Czechs are undergoing now. The Germany who broke her word over Belgium in 1914 was merely the exponent of Prussianism, whereas it is Nazidom that has its grip on Czecho-Slovakia to-day. While the occupied territory is being fleeced as systematically in 1939 as it was in 1918,

its inhabitants to-day are being made the victims of the refined acts of tyranny that have been worked out in the Third Reich under Herr Himmler’s auspices. Within a few hours of the German military occupation the Gestapo were busily at work arresting, and relegating to concentration camps, all individuals obnoxious to the conqueror. The list includes all Czech patriots, as well as all Liberals, Marxists and Jews; and the figures of the victims are believed to run into thousands. In Czecho-Slovakia, as in Austria, the anti-Hitler plebiscite is being recorded in the form of suicides. Events have already proved—what could be assumed *a priori*—that the so-called protectorate is no more than a verbal façade for oppression pure and simple. No doubt it is only a matter of time for the “independence” of Slovakia to produce the same fruits as the German “protectorate” over her two sister Slav provinces. To parody a famous Austrian *mot* about the aftermath of 1848, the Slovaks to-day are manifestly going to receive as their reward what the Czechs have received as their punishment. In all this, the Germans are showing that characteristic national combination of stupidity with brutality which was the ultimate cause of their defeat in the war of 1914-18. The Czechs are a stalwart people who have been inured to oppression by a centuries-old experience. They will not be broken by Herr Himmler’s “third-degree” methods; they will be steeled by them into a yet more indomitable passive resistance. And meanwhile all but three of the sixty or seventy nations of the earth, as they see the crime that is being committed in the heart of Europe, will be taught, beyond possibility of mistake, that they have more to lose by submission to Herr Hitler’s tyranny than by the most desperate resistance.

* * *

Infra-Aryan Status.—The legal framework of Nazi “protection” is worth recording by way of example. The text of Herr Hitler’s proclamation contains thirteen articles precisely delimiting the status of the annexed Provinces. Under the protection of the Great German Reich they are to form the “Protectorate of Bohemia and Moravia,” the German inhabitants of which become German citizens (and thus subject to the Nuremberg laws), whilst the other inhabitants become nationals of the Protectorate. Although the Protectorate is autonomous and administers itself, its prerogatives are “in accordance with the political, military and economic importance of the Reich.” To make it doubly certain that nothing will be done in the Protectorate to damage German interests, the Fuehrer is to appoint a “Reich Protector”; and this step has already been taken with the appointment of Baron von Neurath. As “delegate” of the Reich it will be his task to see “that the lines of policy laid down by the Fuehrer and Reich Chancellor are observed,” to approve the Protectorate’s Government, to inform himself of all events in the Protectorate and to stop anything he thinks ought not to be done (with power to veto judicial decisions as well as legislative and administrative acts). Provision is made for

CHRISTIANIA BANK OG KREDITKASSE OSLO

Established 1848

Paid-up Capital and Reserve Funds,
Kr.40.000.000.—.

Oldest Norwegian Private Joint Stock Bank.
Direct correspondents throughout the country.
Offering complete services to banks and firms
doing business on Norway.

Correspondence invited

military establishments, control by the Reich of communications, posts and telegraphs, the inclusion of the Protectorate within the Reich Customs Union, and the ratio of the crown to the mark. Article 12 contains the typical statement that "the law now in force in Bohemia and Moravia remains valid except in so far as it contradicts the spirit of the protection undertaken by the German Reich."

* * *

The Dominions and the Crisis.—The response of the Dominions to events in Europe, though varied according to their different situations, has greatly encouraged those who believe that Commonwealth solidarity is a vital contribution to genuine collective security. In a stirring broadcast address, Mr W. M. Hughes (who has succeeded Mr Menzies as Attorney-General in Australia, while remaining Minister for External Affairs) declared that there could be no peace or security or progress in the world until the aggressor nations were confronted by resolute peoples barring their path with drawn swords. That must be the policy of the democracies, not in some remote future, but now. Significantly, he added that the Japanese occupation of Hainan Island should remind Australia that the advantage of her geographical position was rapidly disappearing. South Africa's geographical concern in German ambitions for world mastery was rudely brought home to citizens of the Union by the revelation that, in protesting against her refusal to allow certain German immigrants to land in South-West Africa, the German Government had darkly declared that it would not be responsible for the consequences of continued exclusion. It is understood that the Union Government, which has asked for particulars of the complaints, regards these immigrants as political agitators. South Africa has reason for suspecting the German doctrine of "divide and conquer"; for, even while the Union Government were taking special police measures against possible German disturbances, the chief Nationalist newspaper was demanding a policy of strict neutrality as between Great Britain and Germany, if they should clash. The majority of Union citizens, however, are reported to be firmly behind British policy as expressed by Mr Chamberlain and Lord Halifax. South African divisions contrast with a remarkable demonstration of solidarity in Canada, where the leaders of all three major political parties have denounced German aggression and pledged Canada to action if need be. Mr Mackenzie King, who is not given to unequivocal utterance on such issues, declared in the House of Commons that, while Canada's participation in war was a matter for Parliament to decide, any attack on Great Britain should instantly be regarded as an act of war against Canada.

* * *

The Opposition.—It is in crucial days like these that the flexibility of Parliamentary government is most seriously tested—and most sorely needed. This is the time when a Government unmistakably representing the views and desires of the majority of public opinion and possessing the trust and confidence of the people is most urgently required. It is accordingly unfortunate that the traditional working of the party system, designed as it is to throw up such a Government in time of need, should at the present time be gravely clogged. On the one hand, Mr Chamberlain's administration has taken on since his advent to the Premiership the character of a rigid autocracy; the virtual rule of a small Inner Cabinet has deprived Ministers and Parliament of the free exchange of ideas that should be their privilege, and most even of the independent and ablest members of the Government parties themselves have been robbed of any influence upon policy. But it is not only that we now suffer most of the disadvantages of having a War Cabinet without enjoying its advantages. The Opposition, too, are seriously to blame for the halting operation of Parliamentary democracy. The Labour Party, even more than the National group, is autocratic; Mr Eden and Mr

Churchill are still members of their party; Sir Stafford Cripps has been driven out. It is a sad reflection on the present state of party politics that the National Executive of the Labour Party should have found it needful to spend a great part of these days of crisis in working out new measures of menace and intimidation to prevent their supporters from backing Sir Stafford Cripps (as they are doing in growing numbers) in his campaign to secure reconsideration by Socialists of his plan for a common front between all progressive parties. The Executive have this week threatened to take steps to put a stop to the activities of the Left Book Club; and they have informed Mr Aneurin Bevan, Mr George Strauss, Sir Charles Trevelyan and other M.P.s and Labour candidates associated with Sir Stafford's campaign that they, too, will be cast out if they do not desist. In these conditions, it is glaringly true that there is not the vestige of a sign of any alternative Government to Mr Chamberlain's, despite the fact that the Prime Minister has been compelled to abandon a foreign policy on which he seemed to have staked his political reputation. This situation is the very negation of Parliamentary and representative politics.

* * *

Labour and National Service.—Politically the Labour Party is inept. Socially and industrially organised Labour probably holds the key to the successful achievement of national confidence and security. This week the National Council of Labour, representing the trade unions as well as the Labour Party, stated their standpoint in the present crisis. In declaring support for a forthright and specific return to the policy of collective security, the Council simply registered their agreement with the majority opinion in probably all political groups, Right and Left alike. They showed, too, that one obstacle inherent in doctrinaire Socialism had been successfully overcome, when they re-affirmed their opposition to any alliance for Imperialist ends only to declare that a definite pact to resist aggression by force did not come in this category. On the issue of national service their views were less pliant. So far, neither industrial nor political Labour is willing to contemplate compulsory service of any kind. Yet, even here, there are signs that wisdom may prevail over dogma should the need arise. The memorandum of the National Council called upon members of Labour organisations to safeguard the voluntary principle by throwing every effort into making voluntary national service work successfully. The point is that there are two strands in Labour's aversion to compulsion; on the one hand, the trade unions are fearful for their standards, rules and regulations; on the other, Labour politicians are traditionally opposed to conscription as an instrument of Imperialist militarism. At the moment, these fears are reinforced by distrust of the Prime Minister, upon whom they are not ready to rely for the needed reversal of his policy of appeasement. Given a Government they could trust, carrying out effectively a foreign policy they could support, Labour politicians and trade unionists would, it can scarcely be doubted, be prepared to modify their dogmas in the service of their country. Given a policy at home that would impose compulsion and restraint upon business men and employers equally as much as upon working people, Labour would be ready to play its decisive rôle in unlimited re-armament. As it is, Sir Stafford Cripps is right: the Labour Party is powerless. Only if a more enlightened policy of co-operation with other progressive groups and individuals could be pursued would Labour be in a position, first, to speak for a large proportion, if not a majority, of the electorate, and, secondly, to join hands for the commonweal with a freer and more flexible Conservatism.

* * *

Strength at Sea.—Sea power is still Britain's greatest asset in war and diplomacy. The outcome of the next European conflict, like the outcome of the last, will turn in the end upon this country's ability to maintain command of the seas and to keep open our own supply routes while choking those of the enemy. Few speakers in the

Commons' debates on the Navy Estimates last week and this were disposed to doubt that Britain's sea-power was greater now than in 1914. There is no hostile navy or combination of navies in European waters capable of offering the challenge flung down by the Imperial German fleet twenty-five years ago; and our rate of naval building is now greater than it was in the years of Anglo-German rivalry before 1914. According to the present programme, the naval tonnage completed annually in 1940 and 1941 will be almost a third greater than the annual output in the three years before the last war. In the year 1938-39 forty-three warships were completed; in 1939-40 the number will be 60, and there will be over 200 vessels, including nine battleships, six aircraft carriers, 25 cruisers, 43 destroyers, and 19 submarines, under construction.

* * *

It is true that some members were not sure that our naval strength was sufficiently great to resist simultaneous attacks in European and Far Eastern waters; but, for the most part, critics did not fear the consequences of any direct naval challenge, but rather the sapping effects of submarine and aircraft raiding. They called for more light escort vessels to protect merchant ships and an increase in the two flotillas of destroyers included in the Estimates, and, from all parts of the House they suggested that the enlargement and reconditioning of ports on the West coast inaccessible to air attack was imperative. The Government's reply was reassuring. The combination of a protected convoy system with anti-submarine devices which are now much more effective than those which broke the U-boat campaign in 1918 would be adequate to repel the only kind of threat we were likely to have to face; 1,000 merchant ships had already been stiffened to withstand bomb, shell and torpedo attack, and 9,000 merchant officers had already been trained in convoy and protection methods. The rumour that the Anglo-German Naval Treaty of 1935 might be repudiated by the offended Fuehrer did not alter the view that Germany is in no position to offer any large-scale naval menace in the measurable future; and the only doubt left in the minds of Parliament and the public was whether, in spite of the notable progress made in anti-submarine and anti-aircraft precautions, it would not still be advisable to concentrate even more on smaller vessels to counter the raider than on giant warships to engage a Grand Fleet that does not exist.

* * *

London's Fares.—On Monday the application of the main line railway companies and London Transport for power to increase fares in the London Transport area was opened before the Railway Rates Tribunal. The Board is required by statute to provide the standard dividend of 5½ per cent. on the "C" stock, but its revenues have so far proved insufficient and a threat of an application for receivership hangs over its head. For their part, the main line railway companies were granted a 5 per cent. increase in passenger charges outside the London Transport area in October, 1937, and they seek a similar increase for London suburban passenger services, subject to certain fractional rules. London Transport applies to the Tribunal only in respect of certain jointly-owned or operated railways and all parties have many fares which may be increased without application, since they are below the maximum charging powers. London Transport proposes to increase certain fares on the bus, tram, trolleybus and coach services, on which, however, the standard of 1d. per mile for ordinary fares will be maintained. In financial terms, the estimated additional receipts of the London Transport pool from the joint proposals amount to £1,179,000, of which only £220,000 needs the sanction of the Railway Rates Tribunal. Of this sum the estimated proceeds (after pooling) are £732,000 for the Board, £60,000 for the L.M.S., £71,000 for the L. & N.E., £16,000 for the Great Western, and £300,000 for the Southern. The amount required to cover a full 5½ per cent. payment on the Board's "C" stock, on the basis of last year's actual earnings, is approximately £617,600.

The basis on which the Board will adjust its railway fares can be summarised thus. For fares under 4d., increases will only be made in conjunction with adjustments in larger fares or to eliminate ½d. fares. No single fare under 9d. will be increased by more than 1d. Certain fare anomalies will be eliminated and charges on alternative routes will be brought into closer correspondence. Out of a total number of 8,719 fares, some 3,709 (or 42.45 per cent.) will be increased, 146 reduced and 4,864 (55.79 per cent.) left unaltered. Certain long 1d. road fares will also be adjusted to bring the charge closer to the standard basis of 1d. a mile. The application is being opposed by the London County Council, and various local authorities, together with the Progressive Rambling Club and the London District Committee of the Communist Party of Great Britain.

* * *

Government Camps.—The text of the Minister of Health's Bill to promote the construction, maintenance and management of camps of a permanent character is now available. The measure is important because it represents the recognition by the authorities of the need for dual purpose camps to serve simultaneously the requirements of peace and war, a need voiced in many quarters ever since the evacuation of large numbers of urban residents in the event of hostile air attack became a real possibility. It is important, too, because in the two non-profit making companies projected to provide the camps, with grants or loans from the Exchequer not exceeding £1,200,000 in all, the Government have devised a type of agency fitted to carry out socially useful tasks of much wider scope than this one. It is, indeed, the small scale of these proposals that is most open to question: fifty camps to house 17,500 children in all will make no appreciable contribution either to the supply of rural camps that urban schools urgently need or to the solution of the billeting problem in time of war. Clause 4 of the Bill empowers the Unemployment Assistance Board to make arrangements for the engagement of unemployed persons in the construction of camps; but here again the amount of alleviation that will be afforded for a grievous social problem will be exceedingly slight. It is only by assuming that these camps are viewed by the Government as experimental, to be widely extended later, that one can escape the feeling that a very great chance has been lost to embark upon the sort of bold and large-scale scheme which democracies are nowadays accused of being incompetent to undertake.

* * *

Government in Central Africa.—That the Royal Commission on the Rhodesias and Nyasaland should have decided against the immediate amalgamation of the three territories is not surprising; for it would have been a rash Commission indeed that would have recommended the establishment of a single self-governing Colony—self-

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

governing because Southern Rhodesia would have consented to nothing less—in an area of 500,000 square miles, inhabited by over 4,000,000 natives and only 68,000 Europeans. But, practical considerations apart, the divergence between the native policies in Southern Rhodesia and the two Protectorates is the fundamental cause of the Commission's decision. It emphasises that it is too early to state whether the Southern Rhodesian policy of "Parallel Development," which implies the exclusion of native competition in European areas, works to the advantage or detriment of the native. But it is clearly irreconcilable with the principle of trusteeship that directs native policy in the non-self-governing territories of Africa; and it is significant that those natives of Northern Rhodesia and Nyasaland whose opinion was taken showed a striking unanimity against amalgamation with Southern Rhodesia. Yet, if in theory the natives of the two Protectorates enjoy more liberal treatment than those of their southern neighbour, in many other respects their condition is sadly inferior. In recent years the Government of Southern Rhodesia has addressed itself energetically to the provision of social services for the natives and to encouraging improved methods of agriculture among them; but in Northern Rhodesia native education is still very backward, agriculture is still primitive and wasteful, and the standard of health is still very low. The comparative poverty of both Northern Rhodesia and Nyasaland has retarded native development; and it is to effect a substantial financial saving, as well as to abolish boundary anomalies, that the Commission recommends the immediate amalgamation of the two territories under one Administration. Whether this is put into effect or not, the Commission also urges close co-operation between all three territories by means of an Inter-territorial Council to co-ordinate certain public services and survey the economic needs of the whole area. Native labour, for instance, is a problem common to all, which can only be solved by collaboration. The drift from the land to work in the mines and towns, and the consequent breakdown of tribal life, have raised evils that are crying out for redress. While they exist they are the responsibility of the Imperial Government no less than of the local Administrations; and the Colonial Office should see that "indirect rule" is used, not as a cover for shelving them, but as a means of realising the distinctive aim of British Colonial policy,

which is the promotion of better Africans rather than pseudo-Europeans.

* * *

Mexican Oil.—Nearly a fortnight's discussion does not appear to have brought Mr Donald Richberg, representing British and American petroleum companies, and the Mexican Government much nearer agreement on the teased questions of compensation and collaboration. Although negotiations have not been broken off, the companies have refused to accept the Mexican Government's proposal for joint investment and representation. It may not be a very apt comparison given their reputed hard-headedness, but it is clear that if the petrol interests did fall in with this plan they would relive all the unhappiness of the proverbial fly. The Mexican Government needs capital, and is happy that the capital should be British and American: having got the capital, it has no intention of disgorging any proprietary rights. Expropriation is a whole-hog measure or it is nothing. This point of view comes out again in the Government's proposals for compensation, so far as they are known. It appears that the companies cannot expect to receive compensation on a basis of their total estimated losses—generally supposed to be about \$400 millions—for the Government subtracts from this the whole of what appertains to that "national heritage," the subsoil; and compensation will be calculated on a far lower figure. Meanwhile, the Mexican Government is trying to get rid of the oil. In this they are meeting with a good deal of success, chiefly through the activities of Mr William R. Davis and of German and Italian agents. For months past details of barter transactions have been leaking through, for machinery with Germany, for oil tankers with Italy, even for military aeroplanes. American opinion was startled the other day by the news that the Japanese had begun drilling on properties next door to expropriated Mexican Eagle wells; there was even reported a grandiose project to be worked out under the same unwelcome auspices for running a pipeline from Eastern Mexico to the Pacific. These barter deals may be legitimate trading from the strictly Mexican point of view; from the companies', since compensation is to be paid out of the proceeds of oil sales, they are a shady means of getting payment deferred.

Overseas Correspondence

From Our Special Correspondents

United States

Treasury Wants No New Money

NEW YORK, March 13.—Increasing interest is being shown in the flow of investment capital into enterprise. Except for the three summer months, 1938 was not a year of large corporate issues, especially those classifiable as new capital. The first five months of the year were days of business prostration and discouragement; in June, July, and August there was a spurt in the issue market; but in the final four months, this again lapsed into quietude, though, in this period, the demands of the Treasury were enormous. The Treasury bonded debt rose as follows:—

	Bonds Outstanding \$
End Aug., 1938	23,658,000,000
End Jan., 1939	26,007,000,000
Increase	2,349,000,000

A substantial part of the increase was absorbed by Government agencies, but the net increase in the total "market

issues" was about \$1,356 millions and the decline in the maturing short issues of \$651 millions brought the total absorption of Treasury long term issues to about \$2,000 millions in the four months. The banks, if one may judge from the reporting member banks, replaced the maturing shorts with longs, and took about half the net increase in addition, leaving upwards of \$700 millions to be taken by the market.

This borrowing by the Treasury was in excess of its current needs, and the "working balance" in the General Fund rose from \$1,663 millions in August to \$2,288 millions in January—say \$600 millions. As a consequence, the Treasury has announced that on March 15th it will ask for no fresh money; but will confine its operations to the conversion of the \$1,400 millions-odd of notes maturing in June. In short, the Treasury, after making enormous demands on the market in the last four months of 1938, is now in a position to make no demands on the market for approximately half a year.

There is no more mooted question in American economic thinking than that regarding the formation and flow of capital; one group holds that American enterprise no longer affords an outlet for new capital and that the State must continue to be virtually the sole demander of new capital, in the indefinite future as in the recent past; the other argues that the demands by enterprise for capital are enormous, but that

they have been ineffective, because the State has monopolised the supplies of savings. It seems pretty clear that in the final months of 1938, the Treasury did, in fact, pretty nearly absorb current capital accumulation. And it is just as clear now that, in the current four months, the Treasury, by asking for no new money, is giving enterprise the field, though it was not until the end of February that the market was apprised of the Treasury's decision.

Capital Market Transformation

The capital issue market itself is undergoing a process of remarkable change. It is now clearly divisible into three parts. First, there is the regular issue market, in which the security is underwritten and sold by the underwriters to the market, subject to the regulation of the Securities and Exchange Commission. Such issues are then commonly, if not invariably, listed on a recognised exchange. This procedure is standard for large issues—say \$10 millions or over. A second category is the direct or private sale to a single lender or small group of lenders, commonly insurance companies. These issues are not underwritten, are not intended for listing or trading, and escape the costs of the more formal offerings. They are of medium size (say under \$10 millions and above \$1 million). Beyond these is a new form of time loans from banks; this is not, properly speaking, a new "issue," but as such loans may be made for five or ten years, they serve a purpose that formerly would have been met by a formal issue. These may be fairly large, if the borrower is a large corporation, or fairly small, in the case of smaller enterprises; and the terms vary.

Statistics have not yet caught up with these developments. The publicly offered issues are, of course, tabulated. The tabulation of privately offered issues is still informal. The long-term loans of the banks are tabulated with the privately sold issues only if they are of considerable magnitude; otherwise they are apparently lost in the general item of bank loans. The private issue and the long-term loan are relative innovations; yet they are functionally part of the capital market. The private issue goes back four or five years, and apparently has been increasing in relative importance, although somewhat sporadically. The long-time bank loan is apparently an outgrowth of the private issue market, but is more recent, for the originator of the private issue market was the insurance companies.

Private Transactions Loom Large

But so important have the private transactions become (even apart from the time loans of the banks) that they cannot be omitted from consideration. In recent weeks, they seem to have exceeded, not only in number, but also in amount, the formal public offerings. If one takes into account only the public offerings of January and February, the sum hardly exceeds (if it equals) \$100 millions—which would indicate a lethargic issue market; but if one doubles that figure to include these private transactions, the figure compares pretty well with any similar period in recent years.

A considerable part of both markets, however, represents refinancing, and consequently does not afford any answer to the main questions about the demand for and supply of new capital for enterprise. The fact that this revival has coincided with the absence of the Treasury from the market is not conclusive, either; for the period has been one in which other factors have been influential. Nevertheless, it is possible to arrive at two conclusions from these facts that have a bearing on the general outlook: (1) that for a period of some months the Treasury will not be in the market for new funds, although it will be shifting a substantial short maturity into long-time bonds; and (2) that, while formal capital issues have been few and small so far in 1939, the combined formal and private issues run to substantial figures.

Naturally, this innovation has precipitated a controversy. The investment, banking and underwriting houses feel that it is a kind of poaching on their preserves; the S.E.C. is concerned about the use of the private transaction as a vehicle to evade their controls. On the other hand, the innovation appears to have justified itself especially for issues which are too small to command a public listed market and which are in this way more economically placed directly with those institutions that might have been their eventual purchasers and repositories anyway.

For those unconcerned with these controversies and concerned rather with following the flow of capital into enterprise, it is primarily important to note that the familiar statistical series of capital issues no longer tells the whole story. Currently, this flow is much larger than the traditional data would indicate.

France

Making the Country Strong

PARIS, March 23.—The Government intended to wait until the visit of M. Lebrun to London and the Presidential election to take new measures. But Herr Hitler decided otherwise. For the third time in a year M. Daladier sought and obtained full powers (this time until the end of November)—to take whatever measures he may deem necessary "to consolidate and increase the strength of France." It is necessary to go back to the war-time "dictatorship" of M. Clemenceau to find the executive vested with such broad and elastic powers.

The decrees of April, 1938 (after the *Anschluss*), mainly stated principles. The decrees of November, 1938 (after Munich), dealt much more practically with the problems of internal recovery. But the third batch to come will represent the first real effort to achieve reorganisation, retrenchment in public expenditure and increased production since the war.

Symbolical of the Government's determination to assert its authority is the proposed administrative reform of the City of Marseilles. Only those who know the long-standing disorders of this municipality and the powerful demagogic interests entangled in this little "Tammany" can understand the real and moral significance of this step.

Economy in public expenditure is to be enforced. Fifteen of the sixty-five "offices"—which require a special budget of 3,500 million francs per year—are to disappear and be reintegrated in the general Budget. This is one of the first decisions of the "Axe Committee," and it is a reform which has been called for for many years. It has hitherto been blocked by electoral interests and, eight days ago, the forecast that it would be done would have made all French people laugh.

Fortright steps towards more efficient organisation are to be taken. The central direction of military production will be instituted and propaganda will probably be dealt with similarly. The object of these changes is to co-ordinate the activities of all the various Government departments to the best advantage.

The prime need is increased output. New credits and the power to increase hours of work up to 60 hours a week are given to employers who will give priority to war orders. Unemployed persons who refuse to work in armament works will lose any claim to the "dole" for a year.

Other measures deal mainly with the military security in France and North Africa. They are directed in two chief directions: defence against air raids; and the defence of Tunisia. At the same time, the military department which will have to supervise armament production is to be strengthened.

Public Confidence

The effect in the country of this manifestation of authority and resistance to the German danger was considerable. During the crisis, the franc stayed stable; there was not the slightest sign of any panic in the markets as there was last March or last September. Not a newspaper posed the old problem of "liberty or exchange control." After a bad Monday on the Stock Exchange—mainly caused by the heaviness of foreign markets—on Tuesday there was a vigorous recovery.

This change in the attitude of French capital is of the greatest importance, coming as it does after a long period of paralysis which seemed to have proved that the automatic flight of capital in the face of foreign danger would effectively prevent any plan for recovery by liberal methods from succeeding. All is changed now. It may be that, after this successful test, the staunch will of the Government and the

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

OVER 210 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38 Threadneedle Street, E.C.2

West End Branch: 198 Piccadilly, W.1

confidence of the country will lead to fresh investment of capital in business and industry, and so to real recovery.

The recent trend of production and public finance made it clear that fresh efforts were possible and necessary. The fact that the January revenue receipts were 4,827 million francs compared with 3,946 millions in January, 1938, for example, showed that the internal recovery could and should be speeded up. These figures show, in fact, that the new taxes are not checking economic revival; and, as a whole, they confirm the forecasts of the Minister of Finance. This is notably so in the case of the turnover tax, which is showing a surplus over estimate; the deficit on the customs duties is due to the decline in imports brought about by the fall of the franc since a year ago and the increase in the rate of duty. Despite some encouraging signs, however, at the present rate, the Budget deficit seems likely to reach 3,000 million francs.

Stable Prices

Meanwhile, prices are still steady.

Wholesale Prices	Feb. 11th	Feb. 18th	Feb. 25th	Mar. 4th	Mar. 11th	Mar. 18th
General Index	679	675	676	678	678	679
Domestic products ...	704	698	700	703	703	706
Imported products ...	635	634	633	632	633	631
Foodstuffs	654	648	650	651	649	651
Raw materials	701	700	699	702	705	703

Unemployment again fell last week. The number of persons out of work was 407,180, a fall of 4,083 compared with the preceding week, and a decline of 52 compared with the same week of 1938. Firms (with 100 or more workers) working less than 40 hours a week are 11.07 per cent. of all firms, against 16.43 per cent. a year ago; while those working more than 40 hours are 23.41 per cent. against 3.58 per cent. a year ago.

Germany

Unpromising End to Talks

BERLIN, March 20.—The Anglo-German conversations between the Federation of British Industries and the *Reichsgruppe Industrie*, which were begun in Cologne and continued in Duesseldorf, took place entirely under the influence of political events. They were unfavourably affected by the countermanding of the intended visit of Mr Stanley and Mr Hudson to Berlin. The visit was described as inopportune by the British Government, and the prospective banquet was cancelled. The conversations—about which considerable optimism had been displayed in Berlin—then ended on a sour note, despite the decision to meet again in England in June.

It is not astonishing, under these circumstances, that the negotiations led only to platonic professions between the two groups. The chief results were the realisation that understanding is mutually desired; the agreement that both countries need a strong and gainful export trade to raise their standard of living and assure sufficient foreign exchange; the conclusion that "unhealthy" competition must be done away with; and the decision that an agreement about prices and other foreign trade matters might constitute the first step towards a well regulated system of world trade—particularly if other countries could be pressed to share in it. These views and the formation of a standing committee cannot hide the deep feeling of dissatisfaction that is now evident. The recall of the British Ambassador to report made the atmosphere worse, especially since he is not expected to come back, and

it will now be extraordinarily difficult to reach any concrete agreements about prices, competition, and mutual markets.

Mounting State Debts

Although tax receipts have been steadily and consistently increasing, last year's political events have led to a further increase in indebtedness. While the entire debt of the Reich amounted to only Rm. 11,690 millions in March, 1933, and Rm. 17,570 millions in September, 1937, it had risen to Rm. 25,680 millions by September last year. During the first four and a half years of National Socialism indebtedness increased by Rm. 6,000 millions. In the following year it rose by Rm. 8,000 millions.

The consolidated debt rose from Rm. 15,180 millions at the end of 1937 to Rm. 19,140 millions at the end of September, 1938, and Rm. 22,230 millions at the end of the year. At the same time, the floating debt rose considerably. In March, 1933, it was only Rm. 1,500 millions; in March, 1938, it was Rm. 2,300 millions; by September it was Rm. 4,750 millions; at the end of 1938 it was Rm. 5,270 millions; and at the end of last month (February) it was Rm. 5,910 millions.

In February alone Reich Treasury bonds bearing no interest (forward Treasury certificates) were issued to the amount of Rm. 690 millions and this is an indication that the financial preparations for military action against Czechoslovakia were then already under way. In addition, new armament bills have been issued; an insight into their amount can be gained by noting that the bill holdings of the *Allgemeine Deutsche Credit-Anstalt* rose in the first two months of the year by the same sum (Rm. 23 millions) as the amount they fell last year. And, at the same time it should be mentioned that the currency circulation increased from Rm. 7,219 millions to Rm. 10,061 millions in a single year between February, 1938, and February this year.

Germany's foreign trade is falling and the gold and foreign exchange holdings received after the annexation of Austria and the Sudetenland have been used up. Thus the Minister of Economics finds himself forced to resort to a further intensification of foreign exchange regulations. All those coming under the foreign exchange laws (*Deviseninländer*) and all emigrants must register with the Reichsbank and sell any foreign securities still left to them before April 15th. Russian securities, Hungarian pre-war mortgage deeds and municipal bonds, as well as other Austro-Hungarian securities, need not be registered.

The attitude of the German population is clearly given in the *Deutsche Allgemeine Zeitung*, which writes that the number of voluntary deliveries of foreign securities still held here has been steadily falling in recent months. Since foreign holdings have already been sucked up in the most drastic way during the last few years, only small amounts will be mobilised by the new decree. It is, however, significant of Germany's acute lack of foreign exchange that the last reserves must now be drawn upon in order to buy the necessary foreign raw materials for the maintenance of armaments.

Output Problems

On the ground that "mining capacity must be considerably increased to render the German nation capable of defending itself and in order to carry out the Four-Year Plan," General Goering has issued a "decree for the increase of capacity and wages in mining." The working time of the miner underground is lengthened by 45 minutes a day. Shifts will not normally exceed 8 hours and 45 minutes, except in special cases. For overtime payments the rate of wage is increased by a quarter. Piece workers receive an additional increase for achieving more than the average output; and the working time of workers on the surface is increased "according to needs."

The new decree is doubtless tied up with increased output of armaments made necessary by the international situation, as well as being due to the recent fall in production per man and per shift. In 1938 daily output in the Ruhr territory sank from 419,000 to 417,000 tons, though output of brown coal in all Germany (including Austria) was raised from 188 millions tons to 198 millions and of other coal from 185 millions to 186 millions. It may be mentioned that coke production rose from 40.9 million tons in 1937 to 43.5 millions last year, crude oil production from 450,000 tons to 550,000 tons, iron ore output from 10.4 million tons to 13.5 millions, manganese ore output from 200,000 tons to 300,000 tons, pig iron production from 16.3 million tons to 18.6 millions, and crude steel production from 20.3 million tons to 23.3 millions.

Reports from mining companies all emphasise that less efficient workers have now to be employed, that their plant is now completely worn out, that their capacity is declining

and that their costs are rising. In addition, the workers are showing signs of tiredness, the result of longer hours and poor nourishment. And, though rumours of sabotage acts cannot in any way be confirmed, the numerous treason trials that take place (economic sabotage is counted as treason) suggest that the stories have some basis in probability.

Trade Still Falling

The unfavourable trend of trade continued throughout February. Greater Germany's imports were valued at Rm. 471.5 millions, against Rm. 472.2 millions in January; and exports fell from Rm. 441.3 millions to Rm. 411 millions, a decrease of 6.8 per cent. In January the import surplus was Rm. 31 millions. In February it was Rm. 60.5 millions. In two months Greater Germany's import surplus has mounted up to Rm. 91.5 millions, whereas in 1938 the import surplus for the Old Reich alone in the same two months was only Rm. 55 millions.

In the Old Reich this year, imports in February were Rm. 425.7 millions, against Rm. 409.8 millions in January and Rm. 453.2 millions in February, 1938; and exports amounted to Rm. 388.3 millions, against Rm. 418.4 millions in January and Rm. 436.2 millions in February last year. Thus, while there was a small export surplus of Rm. 8.6 millions in January, in February there was an import surplus of Rm. 37.7 millions, making an import surplus for the two months of Rm. 28.7 millions, which is less than last year. Imports from Great Britain in January and February have declined by Rm. 2.8 millions compared with 1938, and exports to Great Britain by Rm. 3.5 millions. Similarly, sales to the United States have fallen by Rm. 5.9 millions.

Lithuania

(Written before the German annexation of Memelland.—Editor.)

New Trade Agreements

KOVNO, March 15.—During the last twenty years, the period during which they have established their independence, Lithuania and Poland have engaged in neither political nor cultural relations. Whether it was a question of railway traffic or of postal services, passengers and goods and letters have had to go via a third country. In 1937 Poland took steps to end this state of affairs. Diplomatic relations were set up, treaties and conventions were signed, until, to-day, the two States are in process of becoming good neighbours. In the industrial field agreements were signed regarding shipping, timber-floating, and railway traffic, thereby laying a good foundation, and finally, on January 25th last, a long-awaited trade treaty came into force. This treaty is designed to cover all outstanding commercial questions of a routine kind; and it will deal with mutual trade difficulties, if and when they arise.

During the last twenty years there have existed, of course, commercial relations with Poland: but the traffic passed via Danzig. Between the years 1925 and 1937 Lithuania obtained in this way goods from Poland to the value of about 105 million lits and sold goods to the value of about 4 million lits only. The cause of this difference lay in the fact that, as a typical agricultural country, Lithuania found in Poland little market for its products, whilst Poland bought only such things as sugar, coal and different industrial goods which Lithuania was not in a position to supply. The new trade treaty is founded on the most-favoured-nation principle. In the official text of the treaty are included the usual definitions with reference to trade representatives of other countries, to certificates of origin, and so forth. The Polish Government reserves the right to include Danzig within the agreement. Attached to the agreement is a tariff and quota protocol, but this has not been made public. For both countries deliveries to the value of about 7 million lits are provided for, and arrangements will be made to keep the balance. Preparation of the schedules encountered great difficulties. Lithuania will supply Poland mainly with cellulose, linseed, skins and leather, bricks, fish, etc., and will import from Poland steel, zinc, coal, textiles, chemicals, etc. For all of these goods quotas are at present in force. Special importance is attached in the agreement to communications across the Memel district to the port of Memel, and the goods traffic will doubtless take this route. The agreement is already working: Lithuania has already taken a cargo of Polish coal and the Memel timber mills have purchased 65,000 cubic metres of Polish timber.

More Trade with Russia

At the beginning of February Lithuania followed this improvement of trade relations by a trade agreement with Russia. Before trade can improve it will be necessary to rearrange quotas and prices. The present value of Russo-Lithuanian trade is estimated at about 10 million lits on either side. In the case of Lithuania two co-operative concerns under the State control carry on most of the trade; Lithuanian private firms may purchase in Russia only tobacco and hides. Deliveries to Russia consist mostly in pigs, cattle for breeding, clover-seed and other agricultural products, whilst imports from Russia are made up from agricultural machinery, motor cars, oil products, salt, sugar, ironware, glass, etc. In regard to the import from Russia of artificial manure no agreement over prices was reached. It appears that, on the whole, the prices of Russian exports will be higher, and, in return, the Lithuanians have increased the prices of their meat exports. The Russian concern "Exportless" has set down such narrow conditions for deliveries of wood to the Memel wood syndicate, that it is improbable that the syndicate will purchase any Russian timber this year. But when it is considered that Lithuania's total imports in 1938 were valued at 224 million lits and her total exports at 233 millions, it is apparent that Poland's and Russia's share are of very limited importance.

The Lithuanian Treasury's receipts in 1938 were about 371 million lits against 347 millions as was estimated. The increased revenues were from excise duties, monopolies, posts and railway traffics, and will be spent chiefly on agricultural works. The Budget for 1939 envisages expenditure of 368 millions, and an internal loan of 20 millions is provided for. Nearly a third of total expenditure will be spent on national defence. The gold holdings of the Bank of Lithuania amounted on February 1st up to 63.55 million lits and the exchange holdings to 7.71 millions. The note circulation stands at 142.6 millions.

There is a good deal of activity at the moment in the direction of industrial legislation. Of the more important decrees, there is one dealing with price increases, and another with import regulations. Customs regulations are also to be revised. After the passing of these decrees a number of new departments to deal specially with foreign trade, industry, customs, etc., are to be formed.

India

Banking Trends

CALCUTTA, March 15.—The report of the Reserve Bank of India for the year ended December 31, 1938, draws attention to a number of factors with which the public are not well acquainted but which have a direct bearing on India's financial structure. Reference is made, for instance, to the distribution of the Reserve Bank's shares which have tended to concentrate in fewer hands, and mainly in those of shareholders on the Bombay register. A Reserve Bank vote has long been recognised as of greater value than an ordinary electoral vote, and it is a fair inference that Bombay is by this means acquiring additional political power. The original intention, when the bank was formed in 1935, was to make the shareholding as diffuse as possible. Clearly that intention is being defeated—and not, one may say, entirely by accident.

Last year was important from many points of view. It saw the new provincial administrations firmly in the saddle, and they began to make their arrangements for ways and means requirements direct with the Reserve Bank from April 1st. The first province to borrow in the form of Treasury bills was the Central Provinces and Berar, one of the smallest of all the provinces. During the year the

BANK OF MONTREAL

(Incorporated in Canada in 1817 with Limited Liability)
Financial Agents of the Government of the Dominion of Canada in London
CAPITAL PAID-UP ... \$36,000,000
REST AND UNDIVIDED PROFITS \$40,185,254
TOTAL ASSETS IN EXCESS OF \$860,000,000
Head Office: MONTREAL
Sir Charles Gordon, G.B.E., President.
H. R. Drummond, Esq., Major-General The Hon. S. C. Mewburn, C.M.G.,
W. A. Bog, Esq., Vice-Presidents. Jackson Dodds, G. W. Spinney, Gen. Managers.
LONDON COMMITTEE
The Most Honourable The Marquess of Willington, P.C.,
G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman).
F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B.
Sir Frederick Williams-Taylor.
London Offices: 47 Threadneedle Street, E.C.2 (Edward Pope, Manager)
9 Waterloo Place, Pall Mall, S.W.1 (J. H. Pangman, Manager)
The Bank undertakes banking business in all parts of the world,
and with its numerous branches offers special facilities in Canada,
Newfoundland and the United States

The MERCANTILE BANK of INDIA LIMITED

Head Office: 15 Gracechurch St., London, E.C.3
Branches and Agencies throughout the East

Correspondents in all parts of the World

WORLD-WIDE LETTERS OF CREDIT
AND DRAFTS ISSUED

provincial governments took from the market in the form of three, six and nine months' Treasury bills a sum of Rs. 4,75,00,000 at an average rate per cent. per annum ranging from a minimum of Re. 1/3/11 in the case of Madras to a maximum of Re. 1/15/6 in the case of Assam. Of the major provincial governments, neither Bengal, Bombay nor the Punjab availed themselves of Treasury bill borrowings. A wide range of Treasury bills bearing varying rates of interest is obviously not a desirable feature in a well co-ordinated money market, and the ultimate policy of the Reserve Bank will presumably be to assist provincial governments to shape their financial policy to a long-term pattern.

The sole reference in the report to the Bank's purchases of gold for the Bank of England is a brief statement to the effect that, during the year, the Reserve Bank undertook the purchase of gold in India on behalf of its correspondents abroad. The gold so purchased was not exported but was earmarked by the bank. The amount of gold held by the Reserve Bank for purchasers abroad at the end of the year was approximately 9,20,000 tolas valued at Rs. 3,39,78,000.

The report outlines the course of the rupee exchange during 1938. On the whole it remained steady, varying between 1s 5½d. and 1s 5¼d. The report adds that the total amount of sterling purchased by the Bank was insufficient to meet the Government's sterling requirements, which amounted to £36,010,000, during the year, and the Reserve Bank had to transfer sterling securities amounting to £15,605,000 from its issue to its banking department, contracting its cash balances correspondingly. In December, forward exchange rates weakened, the fall being further aggravated by speculation, and the Government of India made an announcement (further endorsed by the Viceroy in a speech at Bombay) restating its decision to maintain the exchange at the present statutory rate.

Shortage of Rediscountable Assets

Despite the general recession in the first half of the year, the demand for money continued reasonably active and, on the whole, the scheduled banks were working on a lower cash ratio than in 1937. Towards the end of the year there was a definite increase in the credit requirements of trade and industry and the ratio of total cash and balances with the Reserve Bank to total liabilities fell to 8.05 per cent., as compared with 11.6 per cent. at the end of the previous year. The steady development of the scheduled banks maintained during the last three years was unfortunately marred by a local banking crisis in South India at the end of June, following upon the closure of the Travancore National and Quilon Bank.

The banking crisis in South India, the report says, revealed that one of the difficulties in the way of making advances to scheduled banks was the absence of a sufficient quantity of rediscountable assets. In order that the banks may build up a stronger portfolio of more eligible paper, an increase in the amount of bills traded in by them is obviously necessary. The greatest obstacle to such an increase, at present money rates, is the incidence of the high stamp duty on usance bills, and in December the Central Board of the Reserve Bank repeated its request to the Government that the present rates of duty should be reduced.

The election of Mr Subash Bose for another term as Congress president can be regarded as an interesting and possibly important "straw vote" on the Federation issue. Mr Subash Bose's desire for a second year of office is compounded of personal vanity and a burning desire to keep Congress out of the Federal plan, as it now stands. The fact that the presidency had to be decided by ballot is an indication of the deep differences of opinion that exist on this and other subjects within the Congress higher command. When it comes to making a final and formal decision, the last word will almost certainly lie with Mr Gandhi.

The British and Polish Trade Bank A.G., Danzig

Paid-up Capital: D. Gulden 5,000,000. --
Reserves: D. Gulden 3,591,961.10

Chairman: Roman Górecki, D.C.C.L., Warsaw.

Vice-Chairman: Sir William Max-Muller, G.B.E., K.C.M.G., C.B., M.V.O., London.

Joint Managers: Stanisław Pawłowicz and Philip Frederick Rann.

The Bank was formed to facilitate Exports and Imports from and to Poland, including Danzig.
INQUIRIES SOLICITED

Japan

War-Time Needs

TOKIO, February 17. — The demands upon Japanese economic and financial resources during the current year are prodigious. In addition to army supplies, the development of Manchukuo and the rehabilitation and exploitation of the occupied territories of China must be financed. Resources for these purposes will be provided either by increased domestic production and imports or by enforced saving through enforced under-consumption.

The past year witnessed a marked expansion of war industries. Though reliable statistics are not available—for strategic reasons—iron and steel production in 1938 quadrupled, and the output of some chemicals doubled or trebled compared with the preceding year. The large section of industry which depends upon raw material imports, however, had to adjust activities to the supply available.

Industry, as a whole, has also suffered from a shortage of labour, and a scramble for labour has now become rather acute. With labour as well as raw material difficulties, a further rapid increase in industrial production can hardly be expected. No great expansion of imports to make up for domestic deficiencies can be expected, since the trend of imports depends upon the course of export receipts. Although there was an appreciable improvement in export trade in the closing months of last year, due to a campaign to promote overseas trade, close study shows that the recovery was not so marked as to bring in large import funds.

The Standard of Living

Thus there remains only the one resource still to be raided—consumers' goods and services. The alleged deterioration in the general standard of living is so far scarcely the case. It is true the indices of retail prices and the cost of living rose by some 16 per cent. in the course of last year, while the index of wages advanced by less than 10 per cent. But the index of wages is quite misleading, since it is based on crude average earnings which would necessarily be reduced by the ever-increasing entry of untrained newcomers into industry. The actual income of skilled workers is still far ahead of the increased cost of living. Department store sales are rising, and their year-end sales reached a record total. The cash income of the farming community is also on the upgrade. Consumers' purchasing power, in short, is certainly not lower than it was a year ago.

This is not to say that consumption has not already suffered in some ways from the war effort. Because of regulations on imports and consumption, difficulties are being experienced in procuring certain commodities entering into daily consumption and domestic use (to take just two examples of shortages: copper bath-tub boilers and foreign-made safety-razor blades); and there is a marked deterioration in the quality of textile goods, particularly cotton.

Nevertheless, a wide range of articles of consumption is still undeteriorated in quality and easily obtainable. Despite the rationing of petrol, bus routes even in the far-off countryside are being generally maintained, though on a reduced scale of operations. Supplies of foodstuffs are adequate and prices are controlled. There is, therefore, room for the imposition of further sacrifices on the people in respect of their standard of living, and such sacrifices would be accepted without much complaint.

Cutting Consumption

In these circumstances the Government is pursuing with increased vigour the policy of reducing to a minimum the amount of resources applied to the satisfaction of consumers' needs. In January, for instance, rayon consumption at home and exports to Manchukuo and China were together limited by decree to a total of 114,000 bales, compared with 150,000 bales in December last; and the authorised output of staple fibre in January was also reduced by 25 per cent. Further, it has been decided to reduce imports of wood pulp, timber and crude rubber for the January-March quarter of this year to 90 per cent. of those of the preceding quarter.

The creation of a new institution to finance war-time industries has in the end been dropped. Eventually the Government gave sanction to the Industrial Bank of Japan to increase its capital from 50 million yen to 200 million yen; and the bank has also been empowered to supplement its resources by the issue of its own notes to an amount of 500 million yen. The leading joint-stock banks and trust companies are being required to subscribe the greater part of the new capital; but, on the other hand, they are not going to be called upon to depart from their traditional banking sphere in order to carry out industrial financing.

Letters to the Editor

Hungarian Economics

TO THE EDITOR OF THE ECONOMIST

SIR,—It seems that your Budapest correspondent definitely overstated his case when he said, in your issue of March 4th, page 442, that Count Teleki, the new Prime Minister, when assuming power found the country "economically desolated." No doubt the repeated political crises of last year affected economically every country in Europe, but the setback was no more marked in Hungary than anywhere else.

Your correspondent substantiated his assertion by pointing out that deposits in the saving banks in Budapest fell between February and the end of the year from 665 to 543 million pengős. It would have been more correct to say that, between the Anschluss and Munich deposits fell as low as 506 millions, but began after Munich gradually to mount again, reaching at the end of the year 567 million pengős.

The index of share values was undoubtedly lower in December, 1938, than in January of the same year. This tendency, however, was not exclusive to Hungary.

Against your correspondent's statement that internal industrial production declined, it may be pointed out that the consumption of industrial coal rose from 3.32 million tons in 1937 to 3.39 millions in 1938. The index of industrial production was stable in 1938, while that of the textile industry rose from 186 to 188. The aggregate of wages in 1938 rose to 865.7 million pengős from 785.8 millions in 1937.

Political uncertainty has not improved external trade in any country, and Hungary, admittedly on a small turnover, maintained in 1938 her foreign trade balance of about 100 million pengős of 1937. The recovery of territories from Czecho-Slovakia imposed heavy demands on the economic forces of the nation.

The proportion of Germany's participation in Hungary's exports was correctly stated to be 46 per cent., including, of course, the 18 per cent. which used to go to Austria. Owing to the fact that the so-called free exchange countries are

prepared to purchase our agricultural produce at a very low price only, Hungary is forced to export increasing quantities to Germany, and only the prices paid by Germany make our agricultural production profitable. No difficulties have so far been experienced as to the counter-balancing industrial imports from Germany.

I am, Sir,

Your obedient servant,

L. SIMA,

Press Attaché.

Hungarian Legation,
London, S.W.1.

Gold by Parcel Post

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of March 18th under the heading of "Finance and Banking" you refer to the practice of dispatching gold to New York by parcel post.

The article states that some time ago the Committee of Lloyd's recommended the application of a rate of 5s. per cent. This recommendation was made not by the Committee of Lloyd's but by a Committee of Specie Underwriters appointed by the Lloyd's and Company Markets.

Your correspondent suggests that certain of the hazards which underwriters fear are non-existent. I have before me a report on the situation issued by a competent and unbiased authority in New York as recently as February 21st last. This leaves no doubt as to the risks which underwriters are running, and this to some extent is borne out by the fact that two thefts have already been reported. It seems unfortunate that the accepted methods of carrying valuable shipments of bullion should be scrapped in favour of a method of carriage which does not differentiate between bullion and bulls' eyes.

Yours faithfully,
UNDERWRITER.

London.

Control of International Trade

HEINRICH HEUSER, Ph.D.

In this book the author has inquired closely into the motives which have led states to introduce quotas and exchange restrictions, and investigated the technical problems which their operation involves. He concludes with an illuminating discussion of the effects of planning in an otherwise free economy. He has pursued his researches personally in Denmark, Germany, Italy, Austria and Switzerland to gather his material. The work is divided into three parts: (a) Causes of the regulation of foreign trade; (b) Methods of Foreign control; (c) Results of the regulation of foreign trade. 12s. 6d. net

PUBLISHED BY ROUTLEDGE

New Boom Ahead

Another Challenging Forecast

Major L. L. B. Angas

Internationally known Investment Consultant. Author of "Investment for Appreciation," "The Problems of the Foreign Exchanges," etc., etc.

In this challenging new pamphlet Major Angas explains how Hitler is indirectly inaugurating industrial revival in England, which will be preceded by a Stock Exchange boom. Suggestions are made as to how to ride the coming boom.

Previous Forecasts

FORECASTS OF FALLS		
	Date	Subsequent Decline
Reparations, Trade, and Foreign Exchange (Forecasting the collapse in the German mark)	Feb. 1921	99%
Coming Collapse in Rubber	Jan. 1926	80%
Coming Collapse in Gold. (Included alternative forecast of further boom if America revalued)	Nov. 1933	
Slump Ahead in Bonds (U.S.A.)	Feb. 1937	10%
FORECASTS OF RISES		
	Date	Subsequent Advance
Coming Rise in Gold Shares	Feb. 1931	150%
Coming (English) Boom	Sept. 1931	100%
Stock Market Tactics (Forecasting the Bond Boom, etc. in England)	Jan. 1932	28%
Coming Rise in Wall Street	Apr. 1933	190%
Coming American Boom	July 1934	100%
The (American) Boom Begins	Apr. 1935	65%
The Coming Rescue-Inflation (and Scramble for Stocks) U.S.A.	Apr. 1938	45%

Tear out this advt., ENCLOSE 5/-, and post to:
(Dept. B), ST. CLEMENTS PRESS, Portugal Street, London, W.C.2

Books and Publications

Books of Words

To be all things to all men is a bonhomous quality not easily achieved by dictionaries. Dictionary makers are usually moralists. In the past, they have almost always had an end in view: to make a list of words suitable for the *salon* or the best prose; to show the philological development of a language; or to trace the growth of meanings in the annals of literature.

The first dictionary-maker to base his work on the idea that words and their meaning are first and foremost working tools was an American, the well-known Webster, over a hundred years ago. Since then, happily for the ordinary man, dictionaries have tended to become more and more the record of current usages and contemporary meanings that he wants, and less and less the museum pieces gleefully compiled by *litterateurs* and etymologists. Most countries nowadays have standard dictionaries of their own language that most people in most walks of life can profitably use.

It is in the rendering into one tongue of the meanings of words belonging to another that this democratisation of dictionaries has been most laggardly. It has taken a very long time for the *Entente Cordiale* to produce a bi-lingual counterpart of the native Oxford and Larousse. Five years ago the publication by Messrs Harrap of the first volume (French-English) of Mr Mansion's Dictionary suggested that the Channel was at last to be successfully and intelligently spanned. The appearance of the second volume (English-French)* reinforces this view.

No Englishman who wants to translate English into

* "Harrap's Standard French and English Dictionary," part II. English-French. Edited by J. E. Mansion. 1,500 Pages. 63s.

VALUE AND CAPITAL

By J. R. HICKS

12/6 net

"... This book is the most important original contribution to pure economics since Mr. Keynes's *General Theory of Employment, Interest and Money*..."

Spectator

THE FINANCE OF BRITISH GOVERNMENT

1920-1936

By U. K. HICKS

15/- net

"Mrs. Hicks has written a book of great interest... from which the politician no less than the economic student will profit..."

Manchester Guardian

Oxford University Press

French can now complain, as most of us have done from time to time, that no dictionary exists to which he can turn whatever the subject of his discourse. Scholarly though it is, this dictionary is the workaday volume we want. It includes the words and phrases most English people require, except perhaps some of the low-life colloquialisms they ought not to need; and, more than that, Mr Mansion has made a remarkable attempt to include nearly all the particular words and phrases particular people—tradesmen, business men, politicians, engineers, doctors, scientists, motorists and so on—may need for their particular purposes.

This is an impossible task. To combine in the compass of 1,500 pages a general dictionary and every technical dictionary ever written cannot be done. But it is doubtful whether it can actually be done much more successfully than Mr Mansion has done it. The economist or business man can have this dictionary on his shelf and not more than twice, or at the most thrice, in ten times will it fail to give him the French equivalent of the special verbal counters of his profession. "Managed currency," he will find; "blocked currency" he will not; "conurbation" he will wryly greet; "subsidised industry" and "interest" in all its meanings are there; "full employment" and "forced saving" will be looked for in vain. Other pundits are equally well served. This dictionary is very nearly all things to all men.

Thomson's well-known *Dictionary of Banking*† is not so warm-hearted. Coldly, it sets out to be no more and no less than an encyclopædic and rapidly usable card index to all aspects of British banking law and practice. The ninth edition succeeds as admirably as the preceding eight did. It is a necessary part of a banker's office equipment; and here, be it noted, "blocked currency" has been included.

† "Thomson's Dictionary of Banking." Ninth Edition. By R. W. Jones. Pitmans. 709 pages. 40s.

Shorter Notice

"The Hire Purchase Act, 1938." Issued by the United Dominions Trust, Ltd.

"The Hire Purchase Act, 1938, and the Retailer." By Richard B. Hurton. Issued by the Bankers' Commercial Security, Ltd.

Before the passing of the Hire Purchase Bill a large proportion of the hire purchase business had fallen into such disrepute that it was manifestly in the interest of the respectable hire purchase firms to support any measure that would eliminate the numerous abuses of which they themselves were innocent and which were spoiling their business. They have very little to complain of in the legislation as it was finally passed, and here are two of the biggest hire-purchase finance firms welcoming the Act and expounding it to the public in free pamphlets. Both of these pamphlets publish the full text of the Act and explain some of the less obvious details. The Bankers' Commercial Security pamphlet gives a rather fuller exposition, and the style of Mr Hurton (who is chairman of the Hire Purchase Trade Association) is admirably lucid. The United Dominions Trust pamphlet, on the other hand, reproduces the hire-purchase proposal and agreement forms which they have evolved to conform with the provisions of the new Act, and these should be useful to traders. The aim of both is to make the Act work smoothly, and if they can impart to retail traders some of their own almost unqualified benevolence towards it, they should certainly succeed.

Books Received

Economic Fluctuations. By M. Kalecki. (London) Allen and Unwin. 154 pages. 6s. net.

Statistical Year Book of Southern Rhodesia, 1938. (Salisbury) Department of Statistics. 166 pages. No price stated.

African Odyssey. By J. Cradd. (London) John Clifford, Ltd. 286 pages. 12s. 6d. net.

Act Now for the Highlands and Islands. By Sir A. MacEwen and J. L. Campbell of Canna. (Edinburgh and London) Oliver and Boyd. 52 pages. 1s. 6d. net.

THE BUSINESS WORLD

The Discount Market's Future

THE London discount market has not in the last few years led a very exciting life. The standstill system (which, in any case, affects the accepting houses more directly than the discount brokers) is now in its eighth year and 2 per cent. Bank rate in its seventh, and beneath the shelter of these two arrangements the discount market has been pursuing the remarkably even tenor of its way. The smooth surface has, however, been considerably disturbed in the past fortnight by a request that has been addressed to some of the smaller houses by the Bank of England suggesting that these houses should take steps, by amalgamation or otherwise, to increase their capital, and that the scope of their operations in short-dated bonds should be considerably reduced.

The controversy that has thus been uncovered is not a new one, and this is not the first time that the authorities have given expression to the view that the discount market should be "rationalised." But it is believed to be the first time that their views have been given any precision or that the request of the Bank for action has been put in an urgent form. It is no secret that the firms in question have a feeling of grievance.

The discount houses have traditionally performed two specialised functions in the London money market. The first is the ability to size up the quality and soundness of a bill from the names of its drawers and endorsers—what, in the language of the market, is known as "smelling a bill." But nowadays, when the chief fare of the market is Treasury bills, when another large volume of bills is subject to standstills and when the numbers of accepters have been considerably reduced, the need for this function is much less. The "fine nose for a bill" is less necessary when all bills smell alike. Secondly, the discount market is the buffer between the clearing banks and the Bank of England. They borrow the spare cash of the clearing banks and, when there is no spare cash, it is they who are thrust "into the Bank" and obtain from "the lender of last resort" the extra supplies of cash that are required. This buffer system has great advantages; it is largely responsible for the fact that the British banking system is more amenable to central control than, say, the American. But it is not an absolutely essential part of the mechanism. There is no inherent impossibility in the joint-stock banks being directly in touch with each other for the placing of day-to-day money or with the Bank of England when borrowing from the Bank is necessary. Whereas before the war the discount market was indispensable, there has, of recent years, been an element of sufferance in the attitude towards it of the clearing banks, on whose goodwill it is completely dependent.

There can be no question that the capital and personnel of the discount market are larger than can be employed in the discount business properly so-called, and there has been a noticeable tendency for some years for the discount houses to extend their operations in short-term and medium-term gilt-edged bonds. Clearly, a bond with a term even as short as two years can fluctuate in value over a considerably wider range than a three-months' bill, and the business is *pro tanto* more risky for firms using borrowed money. There are indications that this is one of the developments which the authorities view with some anxiety.

The steps that have been taken in the last few weeks, however, do not relate solely to trading in bonds. The Bank of England has taken the view that those firms whose own resources are less than £300,000 are too small for the present-day market. They have been recommended, either by amalgamation or otherwise, to increase their resources to a minimum of £500,000 and to limit the return on their capital until they have built up reserves of a further substantial figure. Further, it has been suggested that these firms should not hold bonds of between two and five years' currency to the extent of more than twice their own capital (a very much lower ratio than has been customary). It has been indicated, according to reports, that it may, in due course, be necessary to deny the firms who do not comply with these stipulations their present privilege of borrowing from the Bank at the minimum rate of half of one per cent. above Bank rate. Firms who fell into this disfavour would never be sure at what rate they could borrow, and higher than the customary margins would be required of them.

Objection has been taken to the use of the word "ultimatum" to describe this intimation. Perhaps it is too drastic. But even if the nature of the Bank's "requests" were not fully understood in the City, the sanctions that have been mentioned would, in the circumstances, be compulsive. Six firms are understood to be involved and their total resources are in the neighbourhood of £1,250,000. These six firms at present have rather fewer than a score of partners, but amalgamation would undoubtedly involve the withdrawal of many of them, together with their shares. Moreover, it would be a task of great difficulty to attract fresh capital into the market, especially as the firms are recommended to limit the return, and the ability of an amalgamated firm to borrow from the banks would almost certainly be less than the combined credit of the constituent firms. For all these reasons it would appear that the most probable method of giving effect to the Bank's wishes would be an amalgamation of all six firms. This, of course, could not avoid being a painful process both for the present principals and their employees.

That some measure of rationalisation is required in the discount market is undoubted—indeed, some instalments, both by way of merger and of liquidation, have already taken place. And, as in all forms of business, there are disadvantages in smallness. There is, it is true, no reason why a small firm should not be as soundly managed as a large one; soundness depends partly upon the quality of the bills bought and partly upon the ratio of liabilities to capital,



**FOR ALL
INSURANCE
NEEDS**

Head Offices:

LIVERPOOL North John St. LONDON Lombard St.

and on either count a small house can be as good as a big one, even if its balance-sheet figures are not as impressive in their magnitude. But it is probable that the effort required to cover overhead costs—including the remuneration of the principals—is greater the smaller the firm. If so, the temptation to increase income by trading in bonds or by shading the quality of the bill portfolio would be larger for the small firms. This is the theoretical case. It is only fair to add that, in practice, large size has not provided immunity from costly mistakes, nor have the smaller houses, as a class, fallen into difficulties. In so far as smallness is a disadvantage, it has been successfully overcome for many decades. Moreover, so long as the market remains a market, there is an advantage in maintaining the number of independent participants, which would be virtually halved if these six firms were amalgamated into one.

In spite of all these arguments, however, the need for rationalisation once being accepted, it is probably inevitable that the process should begin with the smaller firms. It is probably true also that, given the painful nature of the process of shrinking, very little would be done without stimulus from above. It is certainly true that the views of the authorities, in general terms, have been before the market for a long time. But when all this is said and done, it is still questionable whether the statement of more or less precise requirements, backed up with the hint of severe penalties, is the most suitable method of procedure. There

is no reason to believe that positive proposals for re-organisation made by the authorities would not have been treated with the respect they deserve.

The second aspect of the Bank's proposals, the suggested limitation of bond trading, rests on very solid foundation. The further the market gets away from the 90-day bill, the further it is departing both from its true function and from the sort of business to which its peculiar financial structure is best suited. Since the Bank of England has, in the last resort, to assure the solvency of the market, it is fully entitled to express its views on what are the limits of legitimate business. But what is sauce for the small goose is surely sauce for the large gander, and the small houses chiefly affected are naturally disposed to ask why they should be subject to what looks *prima facie* like discriminatory treatment.

The answer may well be that the Bank has in mind a general clarification of the whole subject of bond trading by discount houses, large and small. There would be much to be said for such a step. Although the specific limitation that has been mentioned—to twice the trader's own resources—might be considered unduly restrictive, the money market as a whole would welcome a clarification of a practice that has been the subject of much discussion and some criticism. And the additional, very useful—almost essential—purpose would be served of demonstrating that there is no prejudice in the City of London against the small man.

Armaments Profits Examined

BY the irony of events the European crisis of the past ten days has coincided with a spate of reports from armaments producing companies. A fortnight ago the possibility of an arms agreement was still a remote dream. To-day such hopes are nowhere entertained. It is too early to guess the outcome of the latest shock, either politically or economically. But certainly it means greater business for armaments companies.

The Stock Exchange, however, is not treating their shares as a class apart, and it is probably wise. One general conclusion stands out from the 1938 reports. Turnover is running at a high level; but disclosed profits and dividends show no comparable expansion. There is, indeed, something anomalous in the disclosure of an actual fall in total profits by Vickers, Limited, for 1938. Nor is this the only instance in which profits have apparently been brought under control before disclosure. Vickers-Armstrongs,

English Steel, Hadfields, and Thos. Firth and John Brown all show their total profits after unstated provisions for depreciation or contingencies. Is it without significance that three of the four companies have also maintained their equity dividends? The commonly cited "pressure of public opinion" is not the only explanation of this diffidence. Groups like Vickers and Hadfields, recalling the over-expansion of capacity in the post-war years, are evidently not disposed to risk a repetition of its financial consequences. Hence, their reserve policy (summarised in the accompanying table) has become progressively conservative during the past three years. Actually, the reserve position is much stronger than the disclosed figures would suggest for companies which make undisclosed allocations to contingencies.

To appreciate the consequences of this conservatism for the investor, a detailed analysis of the Vickers' group

ARMAMENT COMPANY PROFITS, 1936-1938

Company	Principal Armaments Interests	Principal Holdings	Fin. Year*	Total Profits	Ord. Shares		Depreciation and Undistributed Profits	Ord. Shares		Gross Yields	
					Earned	Paid		Range	Present	Earn.	Div.
Vickers	All branches	Entire capital Vickers-Armstrongs. £1,085,698 deb. stk. of English Steel. £789,312 deb. stk. and £500,154 ord. of Metropolitan-Cammell.	1936 1937 1938	1,619,243 2,020,653 1,975,608	15.9 21.5 22.0	10 10 10	274,892 471,034 534,227	39/7½-20/- 39/3-20/7½ 27/-17/6	} 20/10½xd	10.52	4.79
Vickers-Armstrongs.	Naval shipbuilding, aircraft and general armaments.	£1,809,016 pref. ord. and £731,604 def. ord. of English Steel.	1936 1937 1938	1,465,746 1,965,550 2,754,679	...	...	333,584 454,369 583,603	...			
English Steel...	Armour plate, forgings, etc.	Controls Firth-Vickers Stainless Steels (jointly with Firth-Brown); Darlington Forge; Taylor Bros.	1936 1937 1938	1,059,446 1,317,399 1,445,796	53.4† 47.1† 48.6†	20† 20† 20†	577,261 506,568 523,918	...			
Cammell Laird	Shipbuilding and armour.	£419,873 pref. ord. and £399,516 def. ord. English Steel. £500,154 ord. Metropolitan-Cammell.	1936 1937 1938	215,229 306,100 437,233	10.7 16.9 19.7	5 8½ 10	119,529 168,092 181,836	21/7½-6/3 17/9-7/7½ 11/4½-6/3	} 8½xd	12.31	6.25
Hadfields	Projectiles and special steels.		1936 1937 1938	270,074 308,418 316,176	29.5 32.0 34.4	13½ 22½ 22½	111,637 76,966 92,733	37/4½-18/0 42/4½-26/6 11½-6/3			
Thos. Firth and John Brown.	Armour plate and special steels.	Controls Firth-Vickers Stainless Steels jointly with English Steel.	1936 1937 1938	656,018 867,723 973,940	22.1† 31.6† 30.2†	15† 17½† 17½†	201,734 318,432 346,406	100/-76/3 94/4½-59/4½ 73/1½-60/-			
Swan Hunter...	Shipbuilding and machinery.	Controls Wallsend Slipway and Engineering.	1936 1937 1938	177,011 274,539 476,105	4.9 11.0 25.9	7 9 12	Dr. 4,927 58,704 159,615	40/6-24/6 36/10½-24/- 28/9-23/1½	} 32/3xd	16.05	7.44

* Calendar years throughout. † Tax free. (a) After providing £250,000 on cancellation of profits guarantee policy. (b) After unstated provision for contingencies. (c) Profits struck after depreciation, not separately stated.

An Outstanding TWELVE

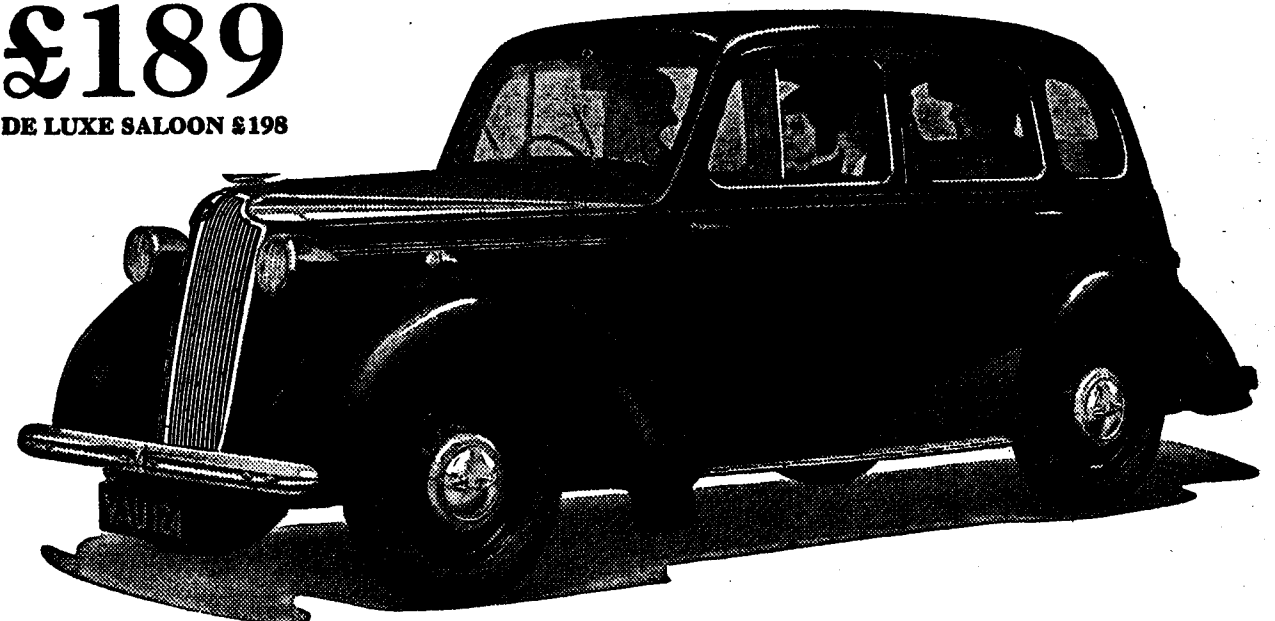
THAT SAVES IN FIRST COST
ALONE ENOUGH TO PAY
TAX AND PART INSURANCE

EXPERTS are agreed that the Vauxhall 12-four has the best all-round specification. Yet it costs from £16 to nearly £60 less than any ordinary "Twelve." So that even against the cheapest competitive model, you save enough, on first cost alone, to make a big hole in a full year's tax and insurance. In addition, a petrol consumption of 35 m.p.g. with normal driving means that you go on saving.

STANDARD SALOON

£189

DE LUXE SALOON £198



The Vauxhall 12-four has smart, modern lines; is roomy and comfortable. It is a top gear car, always having power in reserve, which means easier driving, safer driving, and less strain. It has the special Vauxhall system of independent suspension. If you are used to ordinary springing, please try a Vauxhall 12-four. Your Dealer will gladly arrange, without obligation, a trial run in a car fitted with a special test tank so that you can check petrol consumption at the same time.

VAUXHALL

MECHANICAL FEATURES INCLUDE: All-steel chassis-less construction: trouble-free independent springing: controlled synchromesh: hydraulic brakes: "controlled flame" combustion chambers: overhead valves: six-phase carburation: fully counter-weighted crankshaft: compensated voltage control.

EQUIPMENT INCLUDES: Safety glass all round: self-cancelling direction indicators: twin mechanical windscreen wipers: rear side arm rests: rear blind: body conformity front seats (adjustable): luggage boot at rear: leather upholstery. On de Luxe Saloons (£198) no-draught ventilation, sliding roof, central disappearing arm rest to rear seat, etc.

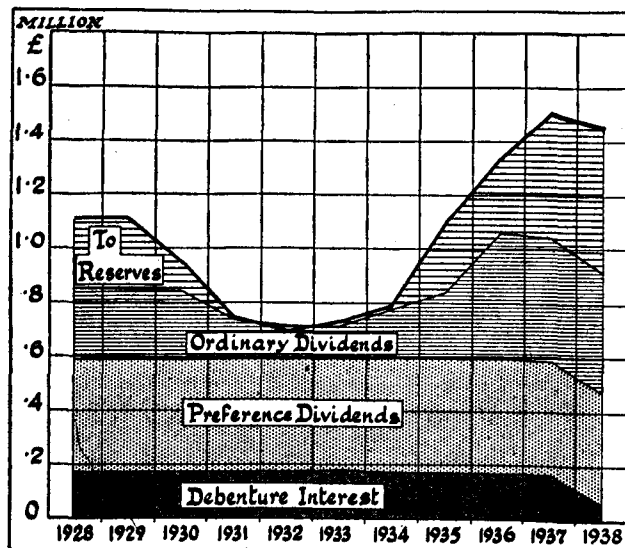
There are other Vauxhalls of 10 h.p., 14 h.p. and 25 h.p. at prices from £163 to £630. Available on convenient terms. A postcard to Vauxhall Motors, Luton, Beds. (Luton 2600) will bring unusual and interesting literature.

DEPENDABILITY — PERFORMANCE — COMFORT — ECONOMY

results is instructive. English Steel Corporation shows an increase of 9½ per cent. in total profits, after unstated provision for contingencies, to £1,445,796, of which no less than £523,918 has been ploughed back for depreciation or free reserves. Of this profit, some £66,029 (gross) goes into the Vickers accounts direct for debenture interest. The share capital, however, is divided between Vickers-Armstrongs and Cammell Laird, and the total dividends paid (£339,340 net) may be divided between the two companies as to £238,100 and £101,200 respectively. The next stage is to trace the income and distributions of Vickers-Armstrongs. Unfortunately, this process is complicated by the absorption within the latter company of the group's aviation business from October last year. This fact implies that the increase in profits (after provision for contingencies) from £1,965,550 to £2,754,679 is not a strictly comparable movement. But from such internal evidence as an increase in the tax charge from £648,010 to £1,074,884 it is evident that this main operating subsidiary of the group substantially increased its profits last year. The result, for Vickers, is that dividend receipts from Vickers-Armstrongs have increased from £863,171 to £1,096,192, after tax, while disclosed reserves (which consist almost entirely of depreciation) have increased from £454,369 to £583,603.

At this point, Vickers' profits (analysed in the accompanying chart) begin to take shape, but here also complications arise. Under the reorganisation plan of 1934 Metropolitan-Cammell Carriage and Wagon undertook to make distributions from available profits at the end of 1937 and 1939. Vickers and Cammell Laird, who jointly own the equity of Metropolitan-Cammell, each received £75,000 in tax-free ordinary dividends from this source in 1937. It is known that Vickers received a dividend from Metropolitan-Cammell last year (the 1934 scheme having been varied), but its amount has not been disclosed, and it would follow that one year's debenture interest has also been received on Vickers' holding of £789,312 6 per

VICKERS' PROFITS 1928-38



cent. debenture stock of Metropolitan-Cammell (equivalent to £34,350 net). Taking the income from all the items specified in the balance sheet (assuming a rate of 6 per cent. on the English Steel Corporation loan of £300,000), it is possible to identify £1,191,442 net out of Vickers' profits (after tax) of £1,472,211. The balance of £280,769 arises from income from subsidiaries and on Metropolitan-Cammell shares, together with interest on gilt-edged stocks, which rose from £2,002,991 to £2,920,000 last year.

Granted the adequacy of the disclosed reserve appropriations, there was comparatively limited scope last year for increasing Vickers' profits spectacularly by a fuller division of the subsidiaries' profits. That conclusion is certainly true of Vickers-Armstrongs, though less true, perhaps, of English Steel, whose allocation to free reserves was as much as £202,694. Divided between Vickers (via Vickers-Armstrongs) and Cammell Laird, this surplus

would have provided an addition to Vickers' profits of £131,000 net—equivalent to an extra 2.9 per cent. for the ordinary stock. Moreover, English Steel has now built up the preferred ordinary dividend equalisation fund to well over twice the annual dividend. Hence the necessity to provide 10 per cent. of net profits for this fund, which absorbed £121,224 last year, has now ceased. The same presumption that directorial policy has intervened between earnings and the shareholder is reflected in the Hadfields figures. The full report, published this week, records that the tonnage output of the company last year reached the highest level since 1918. Yet disclosed profits, after providing for depreciation and income tax, show a very modest rise from £308,418 to £316,176. It is probably significant that the creditor item "provisions for income tax, etc." shows a much steeper rise from £375,846 to £536,429, which suggests a much sharper advance in assessed profits.

The distribution of Thos. Firth and John Brown provides no windfall for ordinary shareholders of John Brown, which holds 75 per cent. of the £1,100,000 "A" capital and all the £450,000 "B" shares. On both classes the company has maintained the distribution of 17½ per cent. tax free. Although profits have increased from £867,723 to £973,940 (the latter figure is struck after an unstated amount to contingencies) depreciation and free reserves absorb £28,000 more, and taxation £80,000 more. In all these instances, which refer to general armaments and projectile companies, it is evident that a measure of strict, though voluntary, control of disclosed profits and dividends is already in operation. In such circumstances, it may matter little by how much armaments expenditure increases during the next year or two. There is already a breath of profits control in the air, which may well be sufficient to stiffen the directorial control of disclosed earnings and dividends, even in the absence of official measures.

There remain, finally, two naval shipbuilding reports, which reveal less apparent rigidity in earnings and dividends last year. Total profits of Cammell Laird increased from £306,100 to £437,233, though equity earnings, after a new tax provision absorbing £100,000, were only moderately higher at 19.7 per cent. Last year's profits were assisted by an increase in tonnage launched from 57,644 to 68,456. Some bearing on the current year's potential business is provided by an analysis of the Navy Estimates, which show that the value of orders for hulls and machinery will increase this year from £3,212,290 to £3,472,223. But both for this company and Swan Hunter, mercantile shipbuilding is an important item. At the beginning of last year, about four-fifths of the latter's workpeople were engaged on mercantile work. Hence the virtual stabilisation of its naval business during the current year at £2,350,351, compared with £2,317,972, will leave little margin to offset the prospective fall in profits from mercantile building.

From this review, it cannot be said that armament shares, as a class, emerge with special attractions which are denied to more general equities. It is the armaments "fringe," rather than the companies directly concerned, which may be readier to make the fruits of defence expenditure available to their shareholders. Armaments companies have, it is true, the virtual assurance of a high level of turnover. Yet even those which appear most closely connected with re-armament have valuable commercial business to preserve. The Firth-Brown report refers to "an appreciable increase in overseas trade" last year. And Hadfields' record tonnage since 1918 was accompanied by a record turnover of "ordinary commercial products." Part of the latter may well be required to serve the defence programme at some stage, but the general distinction is a real one. Meanwhile, the chairman of Clarke Chapman has discussed a further cautionary element in assessing armament shares. If profits on Government work exceed 10 per cent., he declared, a rebate is demanded, and he expressed dissatisfaction with the rate of 8 per cent. provided on the company's output last year. The yield on Hadfields may be generous, in comparison with Swan, Hunter, but it cannot be said that armament shares are obviously undervalued, nor that naval shipbuilding shares are excessively discounting the fall in mercantile building this year.

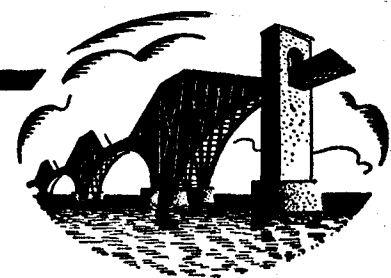
Finance and Banking

Czech Assets in London.—The German annexation of Czecho-Slovakia was at once followed by the seizure of the Czech gold reserves in Prague, and it is highly probable that the Czech National Bank will be absorbed by the Reichsbank. This at once raised the question of the status of Czech assets held in London. It is true that London is traditionally a free money market, but such freedom does not carry with it the condonation of an act of bare-faced robbery; still less does it oblige London bankers to facilitate the completion of that robbery. In these circumstances, the Government has been swift to act. On March 15th the Prime Minister announced that the undrawn portion of the Czech credit, then amounting to £6½ millions, was to remain blocked at the Bank of England pending a clarification of the situation. Czech gold reserves in London were similarly immobilised. On Friday a general instruction was issued by the Treasury to London bankers requesting them not to make payments against Czech balances without first consulting the Bank of England and the Treasury. On Monday this was followed up by a more detailed statement (analysed below), circulated by the Bank of England at the request of the Treasury. Finally, as compliance with the terms of this statement might expose the banks to legal proceedings, a bill described as the Czecho-Slovakia (Restrictions on Banking Accounts, etc.) Bill was introduced on Wednesday, and is being passed rapidly through all its stages. The object of the Bill is to indemnify the banks against any proceedings arising out of their compliance with the authorities' request. In moving the second reading of the Bill, Sir John Simon laid special emphasis on the needs of the refugees. The sum of £4,000,000 already given for that purpose would remain available, so far as it had not been used already; and the Chancellor hinted at the possibility of new legislation. City opinion welcomes these moves, for it is recognised that once Czech funds or securities are withdrawn from London it will be impossible to keep them out of German hands. There is a precedent for this drastic action, for during the war Tsarist Government balances were blocked in London and have never been surrendered to the Bolshevik regime. In some quarters there is a disposition to say that this immobilisation of Czech assets can only be a temporary measure, and that a final decision will sooner or later have to be taken. Everything depends here on the general outcome, which cannot be predicted as yet, and in any event the total amount involved is relatively small. Still, as regards the principle, public opinion will be unanimous in saying that for the moment the only possible course of action is to hold these assets on trust for their rightful owners, and this is the object of the Government's emergency measures.

The Bank of England's circular is drawn in very wide terms. It relates to all gold balances and securities held in London banks on behalf of residents in Czecho-Slovakia, the latter terms also including the Czech Government, the Czech National Bank and companies incorporated in Czecho-Slovakia. Before any of these assets are surrendered, application is to be made in all cases of uncertainty to the Bank of England. The circular adds that the Bank's permission may be assumed in certain cases. Thus, bills accepted by a British house on behalf of a Czech client prior to March 15th may on maturity be debited to the account of that client. Any cheques drawn or instructions for payment issued before March 15th may be acted upon. Debts or obligations due to British subjects or persons in the United Kingdom (other than a resident in Czecho-Slovakia) may be met, and assets belonging to British subjects resident in Czecho-Slovakia may be freely disposed of. In the case of debts due to a person abroad (other than a British subject), and also in the case of assets belonging to nationals of other countries resident in Czecho-Slovakia, reference should be made to the Bank of England,

but permission will be given in suitable cases. The circular does not refer to remittances to Czecho-Slovakia, and our information is that remittances are still being made. Nor does it necessarily suspend all trade between Great Britain and Czecho-Slovakia, for payments due for British exports automatically rank as debts due to a British subject. We are also glad to learn that, as Government spokesmen promised during the debate, Czech refugees now in London have been able to obtain permission to draw on their balances with a minimum of delay. The circular in fact carries out the intention of the Government, and is drawn widely with that end in view. Such an embargo cannot be made absolutely watertight without similar co-operation in other financial centres. This is a matter for arrangement with other Governments, but at least everything possible in London is being done to fulfil our position of trust towards the rightful owners of these assets.

Foreign Funds and the Czech Embargo.—The swift measures taken by the Government to prevent the withdrawal of Czech assets from London produced a rather unexpected result. It gave rise to quite unwarrantable fears on the part of other foreign holders of funds in London that in given circumstances their assets, too, may become blocked. As a result, there was a fair amount of liquidation of gold and sterling balances this week on the part of nationals of Belgium, Holland and other countries which are exposed to German invasion. The heavy gold disbanding was largely the outcome of these fears. In reality, foreign holders of assets in London should derive reassurance from the British measures, since they indicate the Government's determination not to allow Germany to lay



**FOR
COMPLETE
DEPENDABILITY**

The
STANDARD LIFE
Assurance Company

EST. 1825
HEAD OFFICE : 3 GEORGE STREET, EDINBURGH
LONDON : 46 QUEEN VICTORIA STREET, E.C.4 : 15, PAUL MALL, S.W.1

hands on the London assets of nationals of conquered countries in the way she laid hands on a large proportion of Austrian private assets abroad. Unfortunately, at the beginning it was not made sufficiently clear by the Government that this was one of the underlying objects of the embargo; indeed, the discrimination in the Bill in favour of those who left Czecho-Slovakia before March 15th gave rise to the impression that those who leave the country after the conquest may experience difficulty in recovering their London funds. If this impression were correct, it would be easily understandable that nationals of countries exposed to German invasion would become concerned about the possibility of their London assets being seized exactly at the time when they would need them the most. Owners of refugee funds, being of a nervous disposition, were inclined to give the British measure such unfavourable interpretation. Consequently, many of them transferred their assets to New York, since until Wednesday there was no indication that the United States would follow the British example. On Wednesday, however, it was reported that the American banks received requests similar to that addressed to the British banks last week concerning Czech assets, prior to the adoption of legislation. This, together with the reassuring tenor of the debate in the House on the second reading of the Bill, made owners of refugee funds realise that it makes no difference whether they keep their funds in London or New York. Accordingly, withdrawals abated considerably.

* * *

Gold Activity.—Judged by the increase in turnover of business, it is the bullion market which has received the greatest stimulus from the recent events in Europe. The stimulus has been of the surprising but now customary character: when the risk of war crystallises, gold, to which hoarders turn in all troubles other than this extremity, is sold and the proceeds converted into currency—preferably dollars. This week the re-selling of gold from Continental hoarders has assumed such proportions that the gold arbitrage channels between this country and the United States have become congested. Every liner leaving for New York is carrying more than its normal quota of gold, as may be seen from the abnormal rates quoted for reinsuring gold covered under the usual open covers. During the week to Thursday last the gold exported to the United States amounted to £14,701,408, while the liners leaving during the week-end will have carried further substantial consignments. It is not merely the big hoarder who has been reselling. There has also been evidence of reselling of gold coins, the premium on which has disappeared completely. The motive behind these sales is the fear that in the event of war gold might become at best a frozen, and at worst a sequestered, asset. The demand for dollars arising out of the conversion of the proceeds of these gold sales into dollars has been approximately neutralised by the sales of dollars by arbitrage houses, which this week have taken the bulk of the gold offered in the market. The authorities have evidently encouraged this offsetting process as far as possible by keeping out of the bullion market and by allowing the gold price to be fixed at a figure making arbitrage with New York profitable. Apart from small purchases by the Exchange Account on Monday, the arbitrageur has had the buying side of the market to himself. It is not surprising, therefore, that on one day the price fixed should have been at a slight discount on the shipping parity.

* * *

Exchanges and the Crisis.—The German annexation of Czecho-Slovakia has inevitably given rise to fresh feelings of nervousness in all countries bordering upon Germany, and this has expressed itself into a fresh outflow of funds to New York. London, as usual, has provided the main channel, and so it is not surprising that the British Control has had to give some support to sterling. Still, the New York rate was held successfully at \$4.68 and above, and the absence of speculation proves the efficiency of the measures adopted last January. The foreign exchange market also believes that on balance the control has lost very little gold. Such a belief is reasonable, for there was little foreign hot money remaining in London, and so

long as London acts as a channel between the Continent and New York, it should in theory gain as much gold as it loses. On the other hand this week's Bank return reveals an increase of £18 millions in public deposits, most of which has arisen from gold sales by the Exchange Equalisation Account. There are various obvious symptoms of the Continental *malaise*. Dollar notes have been bid in London to $\frac{1}{2}$ per cent. premium, and there has also been a noticeable tendency for some efflux of funds from Switzerland, part of which at least represent refugee money, but these withdrawals have not been sufficient to inspire alarm or to cause any tightness of money. It is significant of the Swiss franc's strength that the forward rate remains at a premium. The Swiss National Bank feels only bound to keep the exchange rate steady within fairly wide limits, these corresponding to between Frs. 19.50 and Frs. 21.90 to the pound. At the worst the spot rate only rose from Frs. 20.58 to Frs. 20.85, and in all probability the National Bank was able to render support by drawing upon its *devisen* rather than its gold. It is doubtful if the British Control gained any Swiss gold. Belgium is in a different position, for the anxiety of the past fortnight supervened upon an already weak exchange position, due to Belgium's political troubles and still more to her uncertain economic outlook. Here the recent recovery in French industry has made the over-valuation of the belga a far more serious matter than it was ten months ago, while since that time there has also been the depreciation of the pound and the guilder. It is doubtful if, under present conditions, the Treasury can see its way clear beyond the end of April and before long the devaluation of the belga may have to be faced. It is not, therefore, surprising that forward belgas remain at a wide discount, while the spot rate needs continual support. One estimate is that the National Bank has lost nearly \$100 millions of gold during the past month and is still losing it at the rate of \$1.5 to \$2.0 millions a day. Most of this gold has gone to New York, but some has been sold in the London market. Thus, on balance, the British Control has been able to replenish some, though not all, of its gold losses.

* * *

Indian Banking Results.—Of the four banks operating in India and other Eastern countries whose accounts and balance sheets have been published recently, the Mercantile Bank of India makes the most satisfactory showing so far as profits are concerned. In what must have been a difficult year for all of them, it is able to show a slight increase in net profits from £183,497 to £192,443 and to maintain its dividend for the year at 12 per cent. At the annual general meeting of the Eastern Bank the chairman referred to the decline in advances and bills receivable, which are together down by over £1,000,000. This is presumably the chief cause of the small fall in net profits from £127,173 to £111,601; but the directors have felt justified in maintaining the final dividend at last year's figure, making the total for the year unchanged at 7s. per share. The National Bank of India with its big East African connection must have suffered from the stagnation of trade in those territories last year caused by the heavy over-stocking in 1937. In the circumstances, it is not surprising that net profits have fallen from £465,862 to £444,063, or that it has been deemed prudent to reduce both the interim and final dividends from 9 to 8 per cent. The balance sheet shows that deposits have fallen by over £2½ millions to £27,856,726; on the other hand, discounts and advances show a small increase at £10,118,561. The Chartered Bank of India, Australia and China shows, as is only to be expected, the biggest decline in profits; for, of the four banks, it is the only one with an extensive connection in the Far East, and its business there must have been adversely affected by the war. Net profits are, in fact, down by £155,756 to £335,309, and the dividend has been reduced from 14 to 10 per cent. The balance sheet shows, however, a very liquid position, for cash, though lower on the year, is still at the high figure of £6,014,530, while the total of current and fixed deposits is down from £49,741,351 to £46,191,968.

MONEY MARKET NOTES

Foreign Exchanges

THE foreign exchange market has withstood the shocks administered by Herr Hitler comparatively well. Selling has not been nearly so widespread as last September, and rates have consequently not been subject to big fluctuations. The weakest currency has, perhaps, been the Swiss franc, which is discussed in a Finance Note. On Thursday, after a weak opening, it rallied and the rate in the late afternoon was quoted at 20.81, compared with 20.83½-4 earlier in the day. The sterling-dollar rate has been firmly controlled, but pressure has not been entirely in one direction. The weakest day for the pound was on Monday, when the Control was in the market all day as a seller of dollars at 4.68½ and the forward premiums widened at one time to 1½c. for one month and 3½c. for three months, but in the late afternoon pressure on the spot rate abated and the forward premiums came back to ¾c. and 2½c. respectively. On Tuesday bear covering caused the pound to rally and the Control purchased dollars at 4.68½ to check the rise, although a weaker tendency again set in at the close. On Wednesday the trend in the spot rate was against the pound, but a better sign was the smaller demand for forward dollars. The next day, the pound opened on the weak side and was firmly held by the Control at 4.68½; later, however, the rate steadied at 4.68½ and less intervention was needed. Canadian dollars were firmer on Thursday and appreciated to 4.70½ in the afternoon. Francs have shown little change. The tendency of forward discounts to widen, noted last week, has been reversed, and after being ¼ franc for one month and ½ franc for three months on Monday, they have since come back to ¼ franc and ½ franc respectively. Free German marks have been offered and have been quoted at up to 11.72, but on Thursday afternoon they recovered to 11.69.

The Bank Return

THE Issue Department shows virtually no change on the week. The gold hold-

	Mar. 23, 1938	Mar. 8, 1939	Mar. 15, 1939	Mar. 22, 1939
Issue Dept.	326.4	226.0	226.0	226.0
Gold	85.1	148.5	2d. 148.5	5d. 148.5
Value per oz. fine...				
Notes in circulation	479.5	479.2	477.2	477.4
Banking Dept.				
Reserve	47.8	47.9	49.8	49.7
Public Depts.	15.6	11.4	10.5	28.6
Bankers' Depts.	109.1	97.4	106.5	92.2
Other Depts.	36.6	35.8	35.5	35.7
Govt. Secs.	105.1	89.2	97.5	99.4
Discounts & Advances	6.6	3.4	1.7	3.2
Other Secs.	20.1	22.4	21.7	22.4
Proportion	29.6%	33.1%	32.6%	31.7%

Clerical, Medical and General Life.—New sums assured amounted to £2,733,000 against a record figure of £3,239,000 in 1937. Death claims were £40,000 smaller at £400,000 and surrender values at £153,000 showed a reduction of £17,000. The net rate of interest in the life assurance fund was £3 16s. 6d. per cent. against £3 19s. 6d. per cent. in the previous year. Assets

ing has been valued at the same price as last week—148s. 5d.—which, incidentally, was the market price at the fixing on Wednesday. The note circulation is only slightly higher, so that political events have not induced either the public to hold cash or the banks to add to their till money. In the Banking Department, however, some measure of the Exchange Account's support of sterling is provided by the switch-over from bankers' to public deposits. The latter are up by as much as £18.1 millions, and though some of the rise may be the result of revenue transfers, by far the greater part probably represents the Account's purchases of sterling in the past week. Some attempt has been made to offset the deflationary effect of this movement by an increase in Government securities, but these are only £1.9 millions higher, and the net fall in bankers' deposits is £14.3 millions.

*

The Money Market

PRIOR to the week-end there was little sign that Central European developments were having any effect on conditions in the discount market. It is true

	Mar. 24, 1938	Mar. 16, 1939	Mar. 23, 1939
Bank Rate	2	2	2
London Deposit Rate	2	2	2
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½-9	1½-3½	1½-1*
Discount Rates:			
Treasury bills	1½	1½	1½-9½
Three months' bank bills	1½-9½	1½-9	5½

* 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.

that the fall in total applications at the Treasury Bill tender from £81.3 millions to £73.8 millions is probably explained by the reluctance of outside quarters to enter into new commitments; but the market syndicate was anxious to obtain a larger quota rather than raise the rate, which was only slightly higher at 10s. 132d. per cent. The six months' Manchester Corporation bills, too, were placed at the low rate of 11s. 4d. per cent., applications for the £500,000 of bills on offer totalling over £1,000,000. On Monday, however, a firmer tendency in bill rates became noticeable. The clearing banks were reluctant to buy more than a limited amount of April and May maturities, while June bills, where they were taken at all, were only bought at ½ per cent. On Wednesday there was a wider demand from the banks, and rates were maintained at the usual ½ per cent. for short-dated maturities and ½ per cent. for June bills, one bank

attempting unsuccessfully to raise the latter to ¾ per cent. Rates for commercial paper have naturally tended to rise in sympathy. The three months' fine bank draft is generally quoted at ¾ per cent., compared with ½ per cent. a week ago, while the six months' draft, which is only taken reluctantly, is quoted at ¾ per cent. Credit conditions have remained fairly comfortable. The smaller outlet for bills has increased the demand for credit from the market to enable it to take up its larger quota of Treasury Bills; but in spite of the fall in bankers' deposits disclosed in this week's Bank Return, the clearing banks have been fairly willing lenders at ½ per cent. against bills, and the only real sign of stringency has been some shortage of bond money which has sometimes only been available at ¾ per cent.

*

The Bullion Market

THE bullion market has been completely dominated by the unhoarding of gold by Continental hoarders, which is discussed in a Finance Note. The result has been that on Tuesday and Wednesday the turnover at the fixing rose to the highest figures for some months; but these, particularly on Wednesday, were completely overshadowed by unofficial dealings, and on that day the turnover for the whole day was estimated to be in the neighbourhood of £3,500,000. On Thursday, however, both official and unofficial dealings appreciably diminished. The Exchange Account has been in the market both as a seller and buyer of gold, supplying about half of the demand last Friday and buying a substantial proportion of Tuesday's large offerings. On Wednesday, however, it was unwilling to buy gold in view of the weakness of the pound.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Am't. dealt in	Cash	Two Mths
1939					
Mar. 17	148 6	d. 10pm.	861	20½	191½
" 18	148 6½	d. 1pm.	126	20	191½
" 20	148 6	d. 10pm.	772	20½	191½
" 21	148 5	d. 10pm.	1,188	20	193½
" 22	148 5	d. 10pm.	1,382	19½	191½
" 23	148 5	d. 10pm.	543	20	193½

* 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 quiet, and prices both for cash and forward have tended to fall, although there was a rally in the cash price on Thursday.

INSURANCE NOTES

increased from £15,654,000 to £16,282,000, and no Stock Exchange security stands above its cost price or above its middle market price on December 30, 1938, less accrued interest. Mortgages and loans increased from £6,311,000 to £7,087,000; mortgages in the United Kingdom amounted to £4,558,000 against £3,873,000 but no mortgages remain outside the United

Kingdom; these amounted at the end of 1937 to £393,000, and were arranged by a subsidiary of the Society in Canada, which was disposed of in 1938. There was a further advance in loans on medical practices under a distinctive scheme of the Society from £686,000 to £743,000. British Government securities showed little change in the year at £653,000 and debentures were also

practically unchanged at £2,040,000. Preference shares, however, increased from £100,000 to £363,000. The share holdings in the General Reversionary and Investment Company and in the Clerical, Medical and General Investment Trust remain at £850,000 and £750,000, respectively. Since the close of the year the latter company has been wound up, for the Society's internal organisation has developed to a degree which has made the continued existence of the Trust of no particular advantage. During the year depreciation of Stock Exchange securities amounted to about 2½ per cent. of book values, and this low rate arises partly from the short-dated investment policy which has been followed. The chairman mentions that, after careful consideration, the directors have decided to continue the issue of unrestricted policies, even under to-day's uncertain conditions. In the case of the cheapest types of policy, namely, temporary assurances and the Society's well-known "supplementary units," where the life assurance risk is at a maximum in relation to premiums paid, an adjustment has been made by an increase in the rate of premium, leaving the contracts unrestricted in form. This departure will doubtless be received with great interest by other offices.

★

Maritime Insurance Company.—The premium income of this company, whose share capital is held by the Scottish Union and National, increased last year from £387,000 to £405,000. Claims accounted for 78 per cent. of the premium income, a result which corresponds closely with the experience of the previous year, but is somewhat less favourable than in earlier years. In 1937 a special cash bonus of 100 per cent., less tax, was paid on the share capital at a net cost of £375,000, and this payment explains the reduction last year in the assets from £1,925,000 to £1,594,000. The position of the company remains strong. The underwriting fund amounts to 106 per cent. of the 1938 premium income, while general reserve totals £300,000 and the profit and loss balance, subject to deduction of the final dividend of 3 per cent., amounts to £290,000. The total dividend for the year, as before, is 6 per cent. Investments total £1,465,000 and in the aggregate are valued below middle market prices on December 31st last.

★

Marine and General Mutual Life.—This mutual Society, which was founded in 1852 and has always had a close association with the shipping industry, has recently given special attention to the expansion of its new business. Last year, new sums assured amounted to the record figure of £564,000 compared with the previous record of £525,000 in 1937. The net rate of interest fell by 4s. 8d. per cent. to £4 1s. 2d. per cent. and death claims increased by £16,000 to £154,000. A depreciation of 6 per cent. occurred last year in security holdings, which account for 86 per cent. of the assets, but there is apparently still an ample excess of market values over book values.

★

Scottish Equitable Life.—New sums assured last year amounted to £1,836,000, compared with £1,923,000 in 1937. The rate of interest fell by

4s. 5d. per cent. to £3 18s. 0d. per cent. Death claims were reduced by £69,000 to £368,000. Total assets increased from £11,746,000 to £11,987,000 and the reserve account remains unchanged at £250,000. There was no special change in the classification of the assets. Loans increased slightly from £3,187,000 to £3,210,000; while British Government securities fell from £1,404,000 to £1,291,000, and debenture, preference and ordinary stocks together increased from £5,312,000 to £5,659,000.

★

Standard Life Assurance.—The accounts of this company for the year to November 15, 1938, reveal the customary position of great strength. Assurance liabilities were again valued by the A1924-29 table, using select net premiums, while for annuities the British Officers' Select Annuity Table O1a1, plus an additional reserve to allow for the exceptional longevity of annuitants, was again adopted. The rate of interest employed in valuing the assurance and annuity liabilities is 2½ per cent. The results of the last two years are given below:—

	1937	1938
Surplus earned	488,432	523,119
Surplus income from guarantee fund	39,406	39,733
Brought forward	31,365	31,034
	559,203	593,886
Policyholders' bonuses	428,169	462,755
Pension fund	100,000	100,000
Investment reserve	31,034	31,131
Carried forward	559,203	593,886

The very high bonus rate of 42s. per cent. per annum, calculated on the sum assured and bonuses, is declared for the twelfth successive year, and is much more than covered by current earnings. New sums assured amounted to £4,650,000, compared with £4,341,000 in 1937, and last year was the sixth to produce record new business. The company is one of a small group of offices which specialise in group assurance and annuity business. Last year total new group assurances were more than doubled, at £1,817,000, against £789,000. In 1937, 1,922 deferred annuity policies were issued for £373,000 per annum (doubtless in connection with group pension contracts). Last year saw an expansion to 2,512 policies for £766,000 per annum. The net rate of interest earned in 1938 was £4 14s. 2d. per cent., against £4 15s. per cent. The guarantee fund remains at £1,700,000, consisting of £850,000 general reserve and £850,000 perpetual stock. The amount transferred last year from this fund to the life assurance fund was £39,733, equivalent to about 3s. 6d. of the 42s. per cent. bonus. Total assets increased from £29,605,000 to £31,091,000. Loans of all kinds increased from £3,370,000 to £3,768,000; loans on public rates amount to £766,000 against £113,000, while policy loans fell from £1,056,000 to £992,000. There was some reduction in British Government securities and also in foreign and colonial government securities. On the other hand, debenture, preference and ordinary stocks showed big increases.

★

London Life Association.—The results of the annual valuation of the liabilities of the London Life, including its associated companies, the Clergy Mutual and the Metropolitan Life (which operate as closed funds), are

shown below for 1937 and 1938:—

	1937	1938
Ordinary trading profits	540,251	535,885
Brought forward	156,771	113,241
	697,022	649,126
Policyholders' bonuses	456,104	382,639
Staff pension fund	15,000	15,000
Written off premises	...	100,000
Strengthening actuarial reserves	77,677	...
Reserve	50,000	50,000
Carried forward	113,241	151,487
	697,022	649,126

The bases used in the valuation, as in 1937, assume an interest at 3½ per cent., and the Eastern Counties Rural Districts Table is adopted. For London Life the future annual increase in rate of reduction of premium is taken at £2 per cent., and the future annual rate of bonus at 30s. per cent. compound. For Clergy Mutual, the bonus rate assured is £2 per cent. of sums assured (increased for whole life assurance by 2s. for each year of age over 65), and for Metropolitan, the increase in rate of abatement assured is 4½ per cent. The reversionary rate of bonus declared by London Life is again 35s. per cent., calculated on the sum assured and bonuses. In the reduction of premium class, the increased rate of reduction for the year beginning July 1, 1939, is 2 per cent. This follows three successive declarations of 3 per cent., but it was pointed out in these years that declarations of less than 3 per cent. must be expected in some years. The reversionary bonus declared for the Clergy Mutual is at the rate of 3 per cent., calculated on the sum assured, increasing in the case of whole life assurances by 3s. per cent. for each additional year of age over 65, compared with 4 per cent. and 4s. per cent. in recent years. The increase in the rate of abatement for the Metropolitan is 6 per cent., against 5 per cent. in 1937. New sums assured in 1938 were practically unchanged at £2,701,000, of which 57 per cent. related to non-participating contracts. The Association pays no commission, and the expense ratio thus represents the extremely low figure of 5½ per cent. of premium income. The net rate of interest earned by the total funds fell by 1s. per cent. to £3 15s. per cent., and the net rate calculated on the valuation liabilities fell by 1s. 2d. per cent. to £4 0s. 9d. per cent. It will be seen that there is an effective margin over valuation requirements of 10s. 9d. per cent. New deferred and reversionary annuities, which in 1936 totalled 2,075 contracts representing annuity payments of £216,000 per annum, and in 1937 1,622 contracts for £186,000 per annum, fell last year to 1,355 contracts for £164,000 per annum. These figures suggest a considerable falling off in staff pension business. At the close of 1937, on the basis of market prices then ruling, there was a free margin in excess of valuation liabilities of about £2,550,000; the corresponding figure at the close of last year was about £1,700,000. Depreciation during 1938 appears, therefore, to have represented about £850,000, equivalent to 2.7 per cent. of the assets or 4.7 per cent. of the Stock Exchange securities. Total assets increased from £30,289,000 to £30,953,000. Loans increased from £8,791,000 to £9,203,000, and there was a small reduction in British Government securities which was more than balanced by an increase in Colonial and Foreign Government securities.

Investment

An Unsettled Week.—The Stock Exchange has made a more realistic response to political events this week, although the continued absence of anything resembling crisis mentality is the outstanding feature of dealings. Jobbers have been ultra-cautious both on the "bull" and the "bear" tack. Consequently, when prices have moved, their response, both up and down, has been more pronounced than last week. On Monday, for example, when a significant volume of selling was reported, jobbers refused to take any appreciable amount of stock on their books, and quotations were lowered and widened. This preliminary slide, however, was followed by a partial recovery in which something between one-third and one-half of the day's losses were regained. The net result was a fall of a point in gilt-edged and a fall of 2.6 points in *The Financial News* share index. By contrast, the "House's" display of renewed confidence on Tuesday was indeed remarkable. Acting partly on the theory of improved investment morale and on hopes that the Berlin-Rome axis might develop symptoms of strain, the market proceeded to gain strength throughout the day, with none of the intermittent hesitation which underlying political conditions might have involved. Once again the refusal of jobbers to become "bears" when they previously refused to become "bulls" provided part of the explanation. In mid-week the market's attitude was once again sharply reversed; Tuesday's gains were lost, and in some instances more than lost. Wavering confidence was augmented by fears of technical weakness, which was confirmed by a small failure on Thursday. The weakness was even more pronounced in Wall Street, where the Dow industrial average closed nearly four points lower at 135.91. The significant feature in these see-saw movements (save, perhaps, for Monday's initial slide) is the relatively small amount of selling. It is true that buying support for the time being has virtually disappeared, but there is no pressure of selling on the part of the general investor. The latter, like the public at large, appears to be watching and waiting for the clarification of the Government's policy.

★ ★ ★

I.C.I. and Dunlop Rubber.—The preliminary statements of Imperial Chemical Industries and Dunlop Rubber have enjoyed a profoundly different market reception. On the former, a disappointed "Street" market on Wednesday marked the ordinary stock down sharply to 28s. 9d., compared with 30s. 3d. at Tuesday's close. The latter, issued at the end of last week, was followed by a recovery in the ordinary stock from 27s. 1½d. to 28s. Some reduction was generally anticipated in the Imperial Chemical dividend, despite the maintenance of the interim payment at 3 per cent., and the 8 per cent. total was not, in itself, a matter for great surprise. But the market seems to have been impressed by the fall in net earnings for dividends from £7,510,707 to £7,061,291, though the fall of 6 per cent. is in close keeping with the 6.6 per cent. decline in *The Economist* Index of Business Activity. It would, however, be premature to reach any firm conclusion on the past year's trading until the central obsolescence and depreciation provision is known. But the year 1937 was one of "exceptional activity and profit"—to quote the chairman's words last year. And even if the group has maintained its general trading position, the setback in the demand for fertilisers, building materials, and general metal products may well have involved a fall in profits of this order. In consequence of the dividend decision, the reserve provision is reduced from £1,500,000 to £1,125,000. The Dunlop announcement came as a complete surprise to a "bearish" market. At the beginning of October last year the directors referred to "a material reduction" in trading profits, and the ordinary shares were sharply marked down in consequence. Apparently, however, a rapid improvement occurred in the second half of the year, and particularly in the last quarter, with the result that net profits show the

comparatively small fall of £90,124 at £1,500,893. The dividend and bonus, together maintained at 9 per cent., are covered by earnings of 13.7 per cent., compared with 10.8 per cent. for 1937. Thus, a year which promised adverse results has made an excellent recovery and, incidentally, has suggested that half-yearly statements have their limitations as well as their advantages.

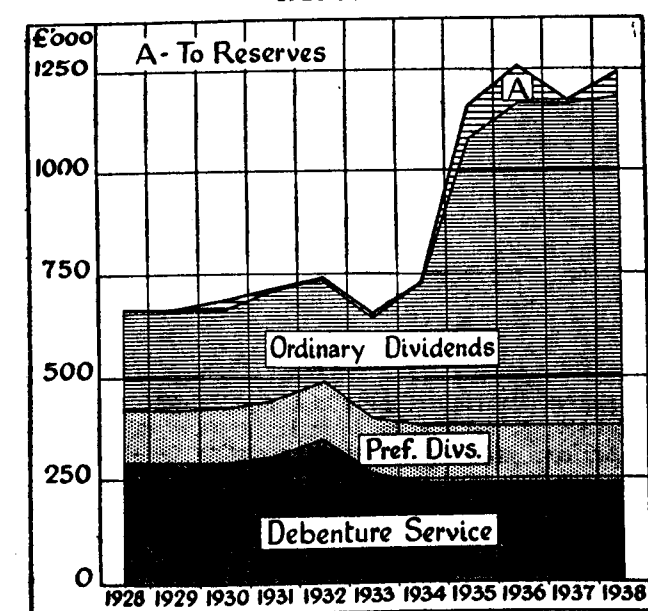
★ ★ ★

Associated Portland Cement.—The preliminary profits announcement of Associated Portland Cement, with its reference to a reserve provision of £60,000, suggested that the reduction in the dividend from 22½ per cent. to 20 per cent. was in the nature of a precautionary measure. The full report, in fact, goes some way to confirm this, for it shows an increase in trading profits from £1,054,591 to £1,070,381, and in interest and dividend income from £540,237 to £580,828. Of the latter, some £81,300 was provided by the Alpha Cement dividend, which was divided between the Associated and Tunnel companies, according to the new control, in the proportion of 74 to 26. This acquisition is also reflected in an increase in the ordinary capital to £4,000,000 against £3,500,000, in a consequent expansion of subsidiary interests from £2,384,552 to £2,754,650, and in a reduction in the rate of earnings for the increased equity from 22.9 per cent. to 22.2 per cent.—the latter despite the increase in equity earnings from £796,728 to £862,806. The profits of recent years are analysed in the following table and chart:—

	Years ended December 31, 1936	1937	1938
Trading profit.....	1,149,494	1,054,591	1,070,381
Total income	1,687,350	1,594,828	1,661,209
Depreciation and fees...	429,733†	420,100	420,402
Debt interest	160,184	157,111	153,889
Deb. sinking funds	80,316	83,389	86,612
Preference dividend ...	137,500	137,500	137,500
Ordinary stock—			
Earnings	879,617	796,728	862,806
Paid	787,500	787,500	800,000
Earnings %	26.0	22.9	22.2*
Paid %	22½	22½	20*
To reserves	87,500	...	60,000
Carry-forward.....	196,665	205,893	208,699

† Including £10,000 for investments. * On a capital of £4,000,000 (against £3,500,000).

ASSOCIATED PORTLAND CEMENT PROFITS
1928-38



Aggregate deliveries of the group last year were fully maintained, although some reduction in demand occurred in the later months of the year. But the figures do not suggest

that the industry was in the acutely depressed state which was officially suggested at the end of last year. At the meeting of British Portland Cement last week Sir Malcolm Stewart referred to a movement to secure greater co-operation in the industry, and he will take the opportunity at next week's meeting of the parent company to enlarge on this theme. Stockholders will probably appreciate Lord Wolmer's assurance this week, in another connection, that no rise in cement prices is in contemplation. Demand for general construction purposes is likely to show some fall this year, and while a check to incipient price-cutting may be a legitimate objective of co-operation, turnover would hardly be encouraged by any positive increase in prices. At 68s. 9d., the £1 ordinary stock units yield £5 16s. 3d. per cent.

* * *

British Insulated Cables.—The 1938 results of British Insulated Cables must be considered satisfactory, although, after a period of expanding earnings, some decline in profits is reported. The balance is struck "after contingent reserves adjustment," which renders close comparison between 1937 and 1938 profits difficult. On the basis of disclosed total profits, however, the percentage decline is no higher than 1½ per cent. for 1938, and the 20 per cent. dividend is covered by a scarcely less generous margin than in 1937. The course of profits over the past three years is shown below:—

	Years ended December 31st		
	1936	1937	1938
Profit after contingencies	765,695	821,358	807,874
Fees, etc.	19,161	19,726	19,406
Depreciation	143,682	143,019	156,402
Debt interest	35,000	35,000	35,000
Preference dividend	57,500	57,500	57,500
Ordinary stock—			
Earned	510,352	566,113	539,566
Paid	333,333	400,000	400,000
Earned %	33.9	31.1	29.6
Paid %	20*	20	20
To reserve	100,000	100,000	100,000
Carry forward	380,879	446,992	486,558

* And 20 per cent. capital bonus, absorbing £333,334 from reserve.

The increased depreciation provision, coupled with lower total profits, results in a reduction of £26,547 in earnings for the ordinary stock to £539,566. The generous earnings cover in recent years absolves the stockholder from making an unduly close estimate of the outlook for the current year. Competition from non-members of the Cable Manufacturers' Association may have some effect on profit margins, and it must be left to the equipment of factories and extensions for the arms programme to make up the leeway in demand resulting from a potential decline in private construction. A leading article in *The Economist* of February 11th on cable shares emphasised the point that requirements for subsidiary mains and for consumers' installations now form the chief market for cables. Hence the manufacturers are not dependent merely on the growth of the country's electricity distribution system, although the smaller cable market is the more competitive field. British Insulated £1 ordinary stock units yield £4 19s. per cent. at the current price of 81s.

* * *

British Aluminium Progress.—Since 1933 British Aluminium has enjoyed rapid and uninterrupted progress, and last year an increase in total profits of as much as 17 per cent., from £773,432 to £909,851, was recorded. The reduction in the price of aluminium, which was not favourably received by the Stock Exchange last year, appears to have produced rapid fruits in increased sales. The company's expansion programme of recent years is now in sight of full earning power. In particular, the Lochaber extensions did not come into full operation until the last quarter of 1938, though they have been partially productive for about a year. Higher output and sales, and consequent savings in large overheads, must, therefore, have

played a large part in last year's satisfactory results. Allocations of profits during the past three years are shown below:—

	Years ended December 31st		
	1936	1937	1938
Total profit	597,181	773,432	909,851
Taxation	34,000	70,000	50,000
Directors' fees	24,250	25,250	27,181
Depreciation	50,000	50,000	50,000
Debt service	140,000	140,000	175,000
Preference dividend	90,000	90,000	90,000
Ordinary stock—			
Earned	258,931	398,182	517,670
Paid	200,000	267,916	375,000
Earned %	13.9	20.6†	19.1
Paid %	10	12½*	12½

Reserve account	50,000	100,000	100,000
Carry forward	71,158	101,424	144,094

† On dividends paid, or 14.7 per cent. on capital of £3,000,000.
* On old capital; dividend on 1,000,000 new shares, £1 15s. 10d. per cent.

The increase in total profit is not wholly available for ordinary stockholders, for the reduced tax provision does not fully offset the new debt sinking fund requirements. This year the full 12½ per cent. dividend is payable on the new shares, and, reckoned in terms of the present capital, earnings have increased from 14.7 per cent. to 19.1 per cent. No change is made in the reserve allocation of £100,000, but a substantial addition is made to the carry-forward. Capital expenditure during 1938 amounted to £619,700, while accounts with subsidiaries increased by £611,000 to £4,803,000. Shares in subsidiaries are unchanged, a fact which suggests that the £500,000 private company formed to build (in conjunction with other interests) a factory in South Wales is presumably contained among the other fixed assets, for the new works at Newport are now almost complete. Despite last year's expansion, there still remained at December 31st over £1¼ millions of cash, while net liquid assets totalled £1,434,000. At the current price of 53s. 6d., the £1 units yield £4 13s. 6d. per cent.

* * *

Associated Electrical Industries.—The trading profit of Associated Electrical Industries for 1938 reached a new high level of £1,399,499, compared with £1,290,008 for 1937. In their report, the directors describe last year's output as the highest in the history of the company and new orders received were second in volume only to those of the record year, 1937. Owing to a fairly sharp rise in taxation requirements, from £380,759 to £505,257, the amount earned for dividends is reduced from £691,493 to £664,308, and the ordinary dividend, maintained for the third year at 10 per cent., is covered by a virtually unchanged margin of 6.5 per cent., compared with 6.6 per cent. for 1937. The directors state that unexecuted orders on hand at the end of 1938 were slightly less than a year earlier, while the consolidated balance sheet showed a reduction in stock and work in progress from £6,151,298 to £5,825,167. These two points suggest that some reduction in trading profits is to be expected during the current year. On the other hand, the group has undertaken important munitions contracts, and can presumably count upon the continuance of a satisfactory volume of defence work. The joint interest which the company has acquired, together with John Brown, in Westland Aircraft, will not, of course, produce immediate fruits, since large-scale extensions are being made to the aircraft works. At the current price of 39s. 10½d. the ordinary stock yields a comparatively low return of £5 5s. 6d.

* * *

Insurance Share Index.—The trifling decline in insurance share prices in the July-September quarter of 1938 developed in the closing months of the year into a more substantial fall. *The Economist* index of insurance share values (based on an investment in 1913 of £1,000

in the ordinary shares of 24 companies) fell from 4,549 at the end of 1937 to 4,307 on September 30, 1938, and to 4,198 on December 30th. The 1938 average, at 4,226, is nearly 12 per cent. below the level of 1937, but a certain recovery has occurred this year. Details of the index, which takes account of bonus share issues by assuming that rights are sold and re-invested in an additional holding of original shares, are given below:—

Company	Average 1937	Average 1938	Dec. 31, 1937	March 31, 1938	June 30, 1938	Sept. 30, 1938	Dec. 30, 1938
Alliance	2,341	2,102	2,268	2,058	2,142	2,100	2,100
Atlas	3,698	3,667	3,809	3,428	3,873	3,746	3,555
Caledonian	5,457	4,875	5,032	4,555	4,906	4,655	4,718
Commercial Union	4,490	4,068	4,354	4,136	4,408	4,136	4,027
Employers' Liability	2,509	2,276	2,432	2,117	2,342	2,297	2,297
Equity and Law	6,986	5,347	6,517	5,604	5,439	5,274	5,357
General Accident	14,582	12,771	14,332	11,999	12,333	13,332	12,333
Gresham Fire	4,571	3,810	4,286	4,190	3,619	3,619	4,000
Guardian	3,548	3,384	3,384	3,128	3,487	3,487	3,384
Legal and General	12,944	10,451	11,475	9,836	10,929	10,929	10,383
Life Assoc. of Scot.	3,792	3,385	3,590	3,447	3,400	3,115	2,972
London and Lancs.	4,692	4,385	4,616	4,231	4,308	4,462	4,192
London Assurance	3,172	2,875	3,056	2,668	2,814	2,911	2,911
N. Brit. & Mercantl.	6,433	5,430	5,860	5,096	5,414	5,860	5,350
Northern	2,395	2,265	2,388	2,149	2,328	2,269	2,269
Phoenix	2,025	1,928	2,097	1,860	1,962	1,928	1,928
Prudential	3,369	3,117	3,261	3,069	3,309	3,261	3,333
Royal Exchange	5,090	4,582	4,805	4,436	4,929	4,682	4,682
Royal	3,129	2,764	2,925	2,753	2,925	2,925	2,839
Scottish Life	4,192	3,876	4,101	3,933	3,933	3,933	3,596
Scot. Un. & Natnl.	5,352	4,621	4,880	4,584	4,880	4,732	5,028
Sun Fire	5,093	2,773	2,933	2,667	2,933	2,978	2,933
Sun Life	3,193	3,161	3,224	3,174	3,375	3,224	3,073
Yorkshire	3,762	3,511	3,556	3,401	3,504	3,504	3,504
Average	4,795	4,226	4,549	4,109	4,312	4,307	4,198

The decline in average insurance share values in the last quarter of 1938 was of a fairly general character. Of the 24 shares in the table, 12 showed declines and seven were unchanged, but modest rises were shown by the remaining five.

Electricity Reports

Midland Electric.—Despite the small increase in units sold of 3.2 per cent., Midland Electric succeeded in increasing its revenue from the sale of current by 6.3 per cent., and a part of this gain in gross revenue is carried through to augment ordinary earnings, which are slightly higher at 15.7 per cent., as against 14.6 per cent. in 1937. The accounts, analysed below, do not show the cost of current as a separate item:—

	1936	1937	1938
Consumers connected	43,552	51,102	58,476
Increase %	20.3	17.3	14.4
Units sold (millions)	142	161	166
Increase %	19.5	13.5	3.2
Revenue from sales of energy	500,328	565,168	600,788
Operating profit*	165,746	192,408	207,033
Sinking funds	29,701	36,464	42,757
Debt interest	11,769	19,500	19,625
Income tax	12,663	23,284	28,419
Preference dividends	10,638	10,463	10,076

Ordinary shares:—			
Earned	100,975	102,697	106,156
Paid	64,050	63,000	60,900
Earned %	14.2	14.6	15.7
Paid %	9	9	9

To special purposes and contingency fund	8,906	9,911	4,102
Reserve account	20,000	25,000	40,000
Carried forward	44,262	49,048	50,202

* Including investment income.

The appropriation to "special purposes and contingency fund" apparently represents the proportion of profits which are not divisible under the sliding scale provisions of the new franchise, which extended the company's tenure until 1973. If this item is deducted, ordinary earnings are reduced to 15.1 per cent. The sinking fund charges which are required under the new franchise are comparable to depreciation on our standard scale. It

would appear that, in order to increase divisible profits by 1 per cent. on the ordinary capital, i.e. by £6,750 net, it would be necessary to reduce the revenue from sale of current, for the same number of units sold as in 1938, by approximately £20,000. At the same time, expenses would have to be cut by £26,750 if this additional dividend was to be earned. On this basis, the scope for increasing the divisible profits of the company does not appear particularly great. Probably a more important source of increasing the divisible earnings on the existing ordinary capital is the right which the company has to invest "free reserves," i.e. undistributed divisible earnings, in the undertaking, on which it is entitled to earn a return of 6 per cent. This may probably explain why the company has not increased its dividend despite the substantial margin of divisible earnings available. At 38s. 9d. the shares yield £4 13s. per cent.

* * *

Electrical Distribution of Yorkshire.—The steady increase in sales was maintained last year. The gain in net revenue, however, was less pronounced, owing to the increased cost of coal and higher rates. After providing for interest on the £500,000 of debt stock issued in May and depreciation at the same rate as in 1937, net ordinary earnings are unchanged, if allowance is made for the increased rate of tax. Profits for the past three years are given below.

	1936	1937	1938
Units sold (millions)	48.6	54.8	60.7
Increase %	13.7	12.7	10.7

Net revenue (after tax)	232,863	252,206	266,050
Interest and bank charges	9,606	730	14,305
Depreciation & reserve account	70,000	100,000	100,000
Preference dividends	32,025	48,239	52,200

Ordinary stock:—			
Earned	121,232	103,237	99,545
Paid	102,938	101,250	97,875
Earned %	10.6	9.2	9.2
Paid %	9	9	9
Carried forward	51,181*	58,168	59,838

* After charging £4,351 issue expenses.

The transfer to "depreciation reserve fund" of £100,000 is now approximately equal to depreciation calculated on our standard scale. At 40s. 4d. the £1 ordinary stock yields £4 10s. per cent., which is not particularly generous in view of the narrow margin of undistributed earnings over the 9 per cent. dividend. The company undoubtedly has an attractive area, which presents scope for further development. But while net revenue has increased since 1930 by 150 per cent.—from £106,548 to £266,050—net ordinary earnings have remained practically unchanged.

* * *

Mersey Power.—Owing to unsettled industrial conditions, the fall in power sales last year almost entirely

INSURANCE

CONSULT

THE

LIVERPOOL

AND

LONDON

AND

GLOBE

INSURANCE CO., LTD.

FIRE · LIFE · MOTOR · ACCIDENT · MARINE

Head Office:
1 Dale Street, Liverpool, 2

London:
(Chief Office): 1 Cornhill, E.C.3

offset the gain in lighting and domestic consumption. On balance, net units sold were only 1,000,000 higher than in 1937. In these circumstances, a 5½ per cent. increase in aggregate revenue from current is not unsatisfactory. However a substantial increase in generating costs more than absorbed this increase, and the net profit available to meet capital charges was reduced from £163,119 to £150,959. By reducing the depreciation charge from £75,000 to £53,925 ordinary earnings were almost unchanged compared with 1937. This illustrates one of the reasons why electric supply shares are commonly regarded as depression proof. Since heavy capital expenditure is involved, depreciation is high in proportion to equity earnings for most undertakings, and it is possible to offset fluctuations in the latter by appropriate changes in the amounts of depreciation charged in any particular year. Mersey Power profits for the past three years are analysed below:—

	1936	1937	1938
Revenue from sale of current	269,929	305,188	321,210
Net profit	140,440	163,119	150,959
Depreciation	57,500	75,000	53,925
Income Tax	...	...	9,535
Debt service	11,706	11,707	11,707
Prof. dividend	33,000	33,000	33,000
Ordinary shares:—			
Earned	38,235	43,412	42,792
Paid	37,236	39,718	39,718
Earned %	7.8	9.0	8.8
Paid %	7½	8	8
Carried forward	4,510	8,204	1,738*

* After writing off £9,540 debenture discount.

The reduced depreciation charge of £53,925 only slightly exceeds our standard scale. The bulk of the ordinary shares, quoted at 32s. to yield ½ per cent., are now held by the Mid-Cheshire Electricity Company. Although the results for 1938 are not representative, the yield is not excessive, since the company is not a "power company" in the strict sense, but operates under distribution orders which are purchasable by the local authorities within the next 25 years, on terms which include no provision for goodwill.

* * *

Bournemouth and Poole Electricity.—The rate of growth in units sold by this associate of County of London Electric slackened somewhat last year, although the actual gain of 13.5 per cent. is still quite impressive compared with most other electricity undertakings. Further reductions in rates for both urban and rural consumers prevented the increase in revenue, amounting to £28,245, from offsetting the higher cost of current, and net revenue shows a drop of £8,923. Available ordinary earnings are slightly reduced at 17.2 per cent., against 18.2 per cent. The results are analysed below:—

	1936	1937	1938
No. of units sold (millions)	47.1	58.7	66.6
Increase %	29.1	24.9	13.5
Revenue from sale of energy	425,983	466,916	495,161
Cost of current	126,507	151,290	191,967
Net revenue	181,673	183,323	174,400
Depreciation	42,000	50,000	50,000
Sinking fund on dismantled plant...	9,712	9,849	10,249
Interest payable	10,675	10,500	10,150
Preference dividends	11,277	11,092	10,722
Ordinary stock:—			
Earned	108,009	101,882	93,279
Paid	85,297	83,899	81,102
Earned %	18.0	18.2	17.2
Paid %	15	15	15
General reserve	5,000	5,000	5,000
Written off sundry items	21,235	10,000	...
Carried forward	13,554	16,537	14,848*

* After charging £8,865 in respect of Jubilee Bonus to staff.

The depreciation charge plus the sinking fund appropriation for the company's generating station, which is now closed down, is now only slightly in excess of depreciation calculated on our standard scale. The margin of

undistributed earnings is therefore small. Some important sections of the company's undertaking will become subject in the next few years to purchase by the local authority, and some restriction on the profit earning capacity of the company is therefore to be anticipated. At 65s. 6d., the ordinary shares of £1 yield £4 11s. 6d. per cent.

* * *

South Metropolitan Electric.—Last year revealed a slackening of the rapid growth in units sold which has been a feature of recent years. Despite the fact that the company operates largely under the London Electricity Act of 1925, revenue from sale of current again shows a substantial increase of £115,613, equivalent to 16 per cent. This gain, however, is largely absorbed by increased expenses, particularly for cost of current, and net revenue is only £30,747 higher. After providing for the normal increase in sinking fund charges, ordinary earnings show only a slight gain compared with 1937. The divergent trend of units sold and revenue received is reflected in a sharp reduction in shareholders' proportion of consumers' benefit and the appropriation to general and No. 2 reserve account is cut from £17,500 to £10,000. It would almost appear that the company foresaw the rise in costs which occurred last year, and, unlike the majority of the London companies, raised its prices. Results for the past three years are given below:—

	1936	1937	1938
Units sold	139.7	167.2	179.8
Increase %	23.3	19.7	7.5
Sale of current, etc.	612,905	725,479	841,092
Cost of current	287,420	352,381	410,021
Net revenue	200,558	240,052	270,799
Sinking funds, etc.	75,202	90,118	108,431
Earned for ordinary	59,714	90,559	93,672
Ordinary dividend	60,799	69,750	69,750
Paid %	9	9	9
To general and No. 2 reserve	5,393	17,500	10,000
Carried forward	40,207	43,516	47,438*

* After providing £10,000 for staff superannuation.

Like the County of London Electric, by which it is controlled, the company bears all the marks of an enterprising and efficiently managed undertaking. It also shares with its parent the less happy distinction of presenting accounts which fail to distinguish between that part of its business subject to the 1925 Act and the rest of the undertaking.

Mining Reports

East Geduld.—Last year East Geduld first reached the adult stage. Ore milled increased from 1,496,800 tons in 1937 to 1,751,800 tons, which represents virtually the full capacity of the plant as increased by the 1937 extension. The latter completed the main capital expansion programme, and appropriations from profits for capital purposes have ceased to be a feature of the accounts. It is, therefore, interesting to note that the available profit, which increased by £186,067 to £1,158,870, showed a generous surplus over the amount required for the dividends, totalling 11s. 6d., paid during the year. The December dividend was raised to 6s., a sum which, on an annual basis, would represent a distribution of £1,080,000. There should, in fact, be scope for a further increase on this rate, for there is reason to expect that profits may show some further rise this year. The results of the company for the past three years are summarised below:—

	Working Profit	Dividends Amount	Per cent.	Carry forward	Ore Reserves Quantity Tons	Value Dwt.
1936	1,609,387	855,000	47½	90,997	9,000,000	6.3
1937	1,782,959	877,500	48½	108,061	10,100,000	6.2
1938	2,185,713	1,035,000	57½	220,132	11,500,000	6.0

Working costs at 16s. 2d. per ton milled show the further appreciable decrease of 11d. on the previous year, and for the first two months of 1939 the exceptionally low figure of 15s. 7d. per ton has been attained. The recalculation of the ore reserves at the year-end disclosed a quantity of 11,500,000 tons, valued at 6.0 dwts. over an estimated width of 58 inches. This represents an increase of 1,400,000 tons over the previous year, but a decrease in value of 0.2 dwt. The average yield per ton milled was 5.77 dwts., which, on an extraction of 94.62 per cent., is in close accord with the average value of the reserves. On the basis of a distribution of 12s., the yield on the £1 shares at 10½ would be £5 15s. 6d. per cent. The earnings surplus discussed above does not, of course, take into account the increase in the price of gold, which averaged 142s. 5d. per oz. last year. Nor is allowance made for the promise of a return on the Grootvlei holding, in which East Geduld now holds 134,400 shares, i.e. approximately one Grootvlei for each thirteen East Geduld. The mining position is excellent, and the shares fully deserve their status as a leader among the investment Kafirs.

* * *

Geduld Proprietary.—This famous mine is facing its declining years with dignity and success. The steady easing in the average value of the ore reserves continued in 1938 with a drop of 0.1 dwt. at 4.9 dwts., and for the first time the actual tonnage is lower at 9,050,000, a decline of only 50,000 tons, but possibly significant. Development footage was again somewhat lower at 37,247, but payability was maintained at 41 per cent., and it is clear that no sharp deterioration in the position is to be anticipated. Actually the net profit of £1,126,942 constituted a record, though the actual gold yield was virtually unchanged at 326,527 ounces. Tonnage milled, at 1,328,500, showed an increase of 27,500 tons. Mining profits were virtually unchanged, the £54,868 increase in profits being due largely to the increase in the dividend from East Geduld. The prospect of further improvement in dividends, from this source, together with the expectation of distributions on Grootvlei and the effect of a higher price now ruling for gold, indicates the possibility of the attainment of a new record profit. The shares at 8½ offer a yield of 9 per cent., and in some respects they represent the best investment opportunity among the declining Kafirs.

* * *

Grootvlei.—Grootvlei reached the production stage last September and steady progress towards normal output is being made. The plant capacity is being increased from 60,000 tons to 80,000 tons per month, and it is anticipated that this extension will be completed in the second quarter of the current year. During the period September to December last, ore crushed amounted to 230,500 tons and yielded the nominal working profit of £8,841, an average yield of 3.3 dwt., valued at 24s. 3d. per ton. The low average grade of the ore sent to the mill reflected the high proportion of ore crushed from development faces and the surface dump of development rock. No serious troubles have been encountered in any section of the plant. Ore reserves are estimated at December 31st at 3,750,000 tons, having an assay value of 5.5 dwt. over an average estimated stopping width of 55.5 inches. Excluding shafts, development last year amounted to 39,669 feet. There is no doubt that Grootvlei will develop into a sound dividend payer, but there is sometimes a tendency to put the property on a par with East Geduld, which is hardly justified. The general indications are that the eastern sections of the property compare less favourably with the western portion, where development continues to be excellent. Development on Palmietkuil, the eastern neighbour, tends to confirm this discrepancy, and the No. 3 shaft, situated in the south-east, encountered the reef but showed unpayable values. A connection between the latter and the western portion of the mine is expected to be made about the middle of this year, and this should lead to a rapid increase in the reserve tonnage. The commencement of dividends this year will be awaited with interest.

Marievale.—Marievale is in the changeover stage from a development proposition to a mine. Last December, it will be recalled, the directors announced that the consulting engineer recommended the installation of a reduction plant having an initial nominal capacity of 500,000 tons per annum designed to permit of economic expansion. It is stated that the plant will be completed by the end of the current year, earlier than was anticipated when the capital issue was made to provide the necessary funds. The issued capital now stands at the full authorised amount, namely, £2,250,000 in 4,500,000 shares of 10s. each. A further £150,000 may be required to meet the full financial requirement for the producing stage. As preferent subscription rights have been fully utilised, the shareholders now have the full equity. The large extent of the property, 6,146 claims, is sufficient to allow a considerable margin should the eastern portion prove to be poor. The footage on the reef and sampled during the year was 17,780, of which 10,080 feet were payable, averaging 14.2 dwt. over 23 inches, a really excellent achievement. Ore reserves as at December 31st last were calculated to amount to 1,120,000 tons, having an average assay value of 6.1 dwt. over a stopping width of 39 inches. Since the commencement of operations the footage sampled has totalled 37,405, of which 15,208 feet have proved to be payable, averaging 14.7 dwt. over 20 inches. Thus, Marievale has been proved, so far as is possible short of reaching the actual production stage.

* * *

Van Dyk.—Van Dyk is now getting into its stride, and the results shown last year fully justify the confidence of those who expect the mine to take its place among established concerns on the East Rand. Milling operations commenced at the beginning of last May and by the end of the year 508,000 tons had been milled, resulting in a working profit of £170,444. The usual factors of gold absorption and treatment of low-grade development rock during opening up of the stopes were reflected in the low yield. Though steady progress has been made, normal production had not been reached by the end of the year. The reduction plant is now in course of extension from 60,000 tons to 80,000 tons per month and in February the record throughput of 77,000 tons was attained. Ore reserves at December 31st disclosed an increase of 450,000 tons to 2,250,000 tons, of an average assay value of 5.8 dwt. over an estimated stopping width of 40 inches. The original programme of vertical shaft sinking has been completed and an important area will be opened up by driving between the No. 2 and 3 shafts which offers the probability of a rapid increase in the reserves. The property is a large one, having a total mining area of 5,777 claims. Adequate funds are in hand from last year's issue to complete the expansion programme to 80,000 tons per month, but there seems no reason why, over a period, a decision should not be taken further to increase the scale of operations. The issued capital is now £2,750,000 in 10s. shares and the market capitalisation at the present price of 23s. 9d. must be considered moderate in relation to dividend expectations during the next two years. It is evidently the policy of the directors, however, not to draw unduly upon the revenue account for capital expenditure. The maiden December dividend of 3d. per share absorbed £68,750, leaving an unappropriated balance at December 31st of £95,857.

* * *

Rietfontein 11.—There is no improvement in the prospects of Rietfontein No. 11. During 1938 development accomplished totalled 16,308 feet, of which 8,830 feet were sampled, but no payable disclosures were made. The report states that during the latter part of the year



operations were confined to the area north of the shaft where prospects are described as "slightly more encouraging." In this section it is always conceivable that small payable shoots, originating in the south-eastern portion of Grootvlei, may be encountered. But it cannot be said that there is any reasonable expectation of making Rietfontein 11 into a payable mine. The necessity for preserving cash resources has led to the suspension of all development south of the shaft and this is no more than common prudence, since no indications to warrant expenditure in this direction have been revealed. During the year the balance of 9s. per share unpaid on 419,637 partly-paid shares was called up making available £188,836 13s. for working capital. The balance sheet shows that deposits and cash amount to £53,148. It would be difficult to justify the expenditure of this balance. Results on Palmietkuil to the north, Grootvlei to the north-west, and East Daggafontein to the west, should eventually reveal any potentialities that may exist on Rietfontein 11. The possibility that one of the adjoining mines may think it worth while to take in the property, or portions of it, provides some hope for shareholders, but the company has a large capitalisation of 2,200,000 10s. shares.

* * *

Durban Deep.—The Durban Roodepoort Deep report leaves an impression of a further accession of strength. In every respect 1938 was a record year, and there is reason to expect that in tonnage, yield and profit new records will be attained in 1939. In general, the expansion programme initiated after the New Steyn acquisition is moving steadily towards fulfilment. The tonnage milled during the year at 1,374,000 showed an advance of 165,000 tons compared with 1937, and the rate is gradually being increased. The two plants are now nearly attaining their limit of between 140,000 and 150,000 tons a month, and further extensions should bring the capacity up to 175,000 tons a month, or 2,100,000 tons per annum, by the end of this year. Ore reserves are again up, by 429,700 tons, the value being maintained at 4.7 dwt., while the stoping width is slightly higher by half an inch. Development work reached a new high level of 71,057 feet, an increase of 7,677 feet, and the percentage of payability, at 65 per cent., also shows a further improvement of 3 per cent. During the year expenditure on shaft sinking, equipment, etc., amounted to £449,200, and since expenditure is expected to be on a similar scale this year, it is clear that the working capital of £265,859 at December 31, 1938, will need to be supplemented. The two dividends of 1s. 3d. for 1938 were earned with a surplus of £61,633. The February profit, however, was nearly £19,000 higher than the corresponding figure for February, 1938, and there is every reason to hope that the capital requirements will be covered without a further capital issue. Dividend maturity is likely to arrive in 1940-41. This factor justifies the low yield of £5 5s. per cent. offered by the 10s. shares at the present price of 2½.

* * *

Modderfontein "B" Gold Position.—Only the rise in the average gold price in 1938 enabled Modder "B" to avoid a moderate drop in profits. Since 1934 reserves have been increased relatively slowly, and at the end of 1938 were re-estimated at 3,805,000 tons, or 46,000 tons less, and with 0.1 dwt. lower value at 3.9 dwts. Tonnage mined last year fell from 1,212,000 to 1,181,000 tons—the first time in recent years that a smaller tonnage has been recorded. The drop in milling was very small, from 1,084,000 to 1,082,000 tons, but the value was lower by 0.04 dwt. at 3.36 dwt. Costs, however, were unchanged at 13s. 11d. a ton, and as working profit was 1d. a ton higher at 10s. 1d., total mining profit was £1,344 higher at £544,280. A reduction in the usual transfer from capital account from £41,561 to £32,252 was partly offset by a lower taxation provision, so that the balance is only £4,237 lower at £350,791. This total, however, only just covers the 50 per cent. distribution, and the relatively short remaining life of the mine is reflected in a current yield of 17½ per cent. on the 5s. shares at 14s. 6d.

City Deep.—Satisfactory results for 1938 arose largely from the higher value of ore milled during that period. The tonnage crushed was 16,000 tons lower at 1,277,000 tons, but owing to an increase in yield of 0.112 dwt. to 3.977 dwt. (the highest yield since 1933), and a rise of 2s. in the average gold price, total revenue rose by 1s. 2d. a ton to £1,811,659 in all. The rise in working costs was limited to 8d. a ton, and as a result the company increased its working profit by £31,266 to £271,924. After allowing for other revenue and expenses (including an increase of £15,221 to £15,755 in tax provision), the balance available for dividend is £239,460 against £222,942, and the increased distribution of 11½ per cent. is covered by earnings of 14.8 per cent. This dividend, however, is payable on a slightly larger capital, for during 1938 20,000 £1 reserve shares were taken up under option at 30s. by Central Mining and Rand Mines. Capital expenditure absorbed £164,264, and was more than covered by sales of freehold land and by the share issue. Available ore reserves increased by 288,200 tons, with no change in value. At a current price of 36s. 3d., City Deep £1 shares yield £6 4s. per cent.

The Week's Company Profits.—This week our usual analysis of profit and loss accounts, appearing on page 655, comprises no fewer than 107 companies, excluding banks and companies for which comparable figures are not available. The heavy industries are particularly well represented in the week's total of £19,336,000, which is only 2½ per cent. less than the £19,815,000 earned by the same companies a year ago. The aggregate net profits of 602 companies reporting this year to date are £84,699,000 against £91,883,000, a fall of 8 per cent. The week's results are discussed on earlier pages and on page 634 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—In this issue reports of company meetings begin on page 641. Mr T. E. Pearce's address at the *Hongkong and Shanghai Banking Corporation* meeting on February 25th was discussed in *The Economist* of March 4th on page 453. At the *Eastern Bank* meeting Sir James Leigh-Wood referred to the possibility that the Government of India might follow the course of the Bank of England and write up its gold reserve. Addressing *Scottish Provident Institution* members, Mr George M. Brown explained that the reserves had been strengthened, as in valuing liabilities an interest rate of 2½ per cent., against 3 per cent. previously, had been assumed. At the *County of London Electric* meeting Sir Bernard E. Greenwell informed shareholders that during last year reductions had been made to consumers throughout the suburban and rural areas, and that over 82 per cent. of consumers on quarterly supply had adopted the two-part tariff. Members of the *North-Eastern Electric* were informed by Mr R. P. Sloan at the annual meeting that during each of the years 1935 to 1938 reductions in charges to lighting and domestic customers had averaged some £50,000 a year. The chairman of *Law Land Company* discussed the effects of the rebuilding of Waterloo Bridge on certain of the company's properties. Mr F. Le Neve Foster informed shareholders at the *Davis and Timmins* meeting that the board's policy of widening their range of stock screws and reducing costs and prices by adopting better production methods was amply justifying itself. At the *Telephone and General Trust* meeting Sir Alexander Roger expressed the opinion that industry had benefited immensely from the revolutionary change over the past few years in the principles and methods by which monetary conditions were controlled. Mr John E. James reported to members at the *Lancashire Steel Corporation* meeting that the past few weeks had shown signs of an improved demand, due to commercial as well as to arms requirements. At the *Banco di Roma* meeting, the chairman reported that in 1938 two new branches had been added to the 14 branches in Italian East Africa.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
APRIL 11 APRIL 13

THE market's weak opening on Monday suggested that political fears might take more serious toll of prices than at any time since the September crisis, but it gave an exaggerated impression of the true response of the general investor. After a sharp initial break, an appreciable rally enabled the market to regain up to half of its early falls. Subsequently, sentiment has swung from one pole to the other on successive days. Tuesday revealed a consistent—actually too consistent—rally, and in mid-week the market was again facing a gloomier interpretation of the political facts. This feeling, in turn, was reversed on Thursday when the small extent of reported technical weakness (which was a factor in Wednesday's decline) was revealed. The only conclusion regarding this week's movements is that jobbers have retained an open mind regarding the swings of the political weathercock, and have kept their books at the lowest possible level.

In the *gilt-edged market* dealing margins were at first widened to as much as a point, and by noon on Monday quotations were anything up to two points lower. Despite the afternoon rally, however, undated stocks showed losses of up to 1½. Certain of the short-dated issues were reported to be affected by the official desire to limit gilt-edged holdings of certain discount houses. Monday's losses were largely regained on the following day, when War Loan closed ½ higher and a significant rally also occurred in the short-dated group. These movements, however, were almost exactly reversed in mid-week, and Thursday's improved tendency only assisted the undated stocks to the extent of ½. Corporation and dominion stocks followed these fluctuations.

Among *foreign bonds*, the European list was at first very depressed. Czech 8 per cents. fell at one time on Monday to 36, but closed as high as 43 on the blocking of Czech assets in London. A substantial recovery from the lowest also occurred in German loans, and prices were relatively well maintained later in the week. The Central European group was naturally a nervous market. Further selling of Japanese bonds was reported, though in mid-week the market received better support.

Home rail stocks were exposed to the full shock of weak markets, following their recent speculative advances, and despite the afternoon rally, the marginal stocks on Monday showed heavy losses at the close. Southern preferred received some support on Tuesday and the preference stocks generally more than regained their opening falls, only to give way again in mid-week, when L.M.S. 4 per cent. preference lost 3 points and L. and N.E. first preference two points.

Although the *industrial market* made a good stand on Tuesday, on the whole it was sorely affected by European events. A severe precautionary marking down of prices as the week started was followed by a partial recovery, but a fresh setback occurred in mid-week. A rather firmer tendency on Thursday

was almost entirely due to technical causes. Iron and steel shares followed the general movement. Wm. Beardmore and Vickers responded to the issue of the full reports, but as the Hadfields' accounts came out when the market was particularly gloomy, the shares lost ground. The engineering section was rather more resistant than other groups to the mid-week reaction. Craven Brothers went ahead on the satisfactory report, and Hawthorn Leslie strengthened. Electrical equipment issues followed the general trend, and Callenders Cable were affected by Monday's weakness. On Tuesday, motor shares more than recovered their earlier losses, but fell back again later. Aircraft shares were considerably firmer than other sections, though there were a number of small changes. Response by textile shares to news of the Indian trade pact was delayed, and was scarcely enough to offset the general weakness. Courtaulds and other rayon shares drifted with the rest of the market. Losses among brewery shares were heavy on Monday, and subsequent rallies did not save them from falls on the week. Tobacco issues followed the same tendency, but some interest was shown in Gallaher. Store, provision and catering issues also swam with the current. In the miscellaneous section, the leaders were sensitive to the general tone of the market, and I.C.I. reacted on the dividend reduction.

In the *oil share market*, a precautionary marking-down of prices at the outset and a widening of quotations had the desired effect of discouraging sellers, and on Tuesday bargain-hunting helped to lift prices. A dull tone returned in mid-week, and though Paris was a seller of the leaders, there was no heavy pressure. Mexican Eagle were depressed by the statement that no agreement was in sight. Rubber shares followed the same trend as elsewhere, with changes in quotations quite out of proportion to the actual volume of buying or selling. Tea shares were subdued and mostly lower.

Mining shares were heavily marked down on Monday, recovered, and then staged a fresh fall in mid-week. But it was chiefly quotations which changed, for the actual volume of business remained small throughout. The Kaffir market was nervous, but while prices fluctuated in common with other sections, the volume of actual dealing was very small. Both Paris and the Cape occasionally entered the market, but the trend was no more consistent than it was on local account. Rhodesian coppers and base metal shares generally rallied in late dealings on Monday, but shared in the mid-week reaction.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
Mar. 17	7,500	8,535	83.4	120.3
Mar. 20	7,825	8,450	80.8	119.2
Mar. 21	7,120	7,150	82.7	119.6
Mar. 22	6,325	7,515	80.8	118.8
Mar. 23	5,120	7,305	81.7	118.9
High...	...	...	88.0	123.5
Low...	...	...	73.7	118.8
			Jan. 27	Mar. 22

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

ACTUARIES' INVESTMENT INDEX

A fall of 4 points in a single week is shown by the Actuaries' index of 160 industrial equity prices, which on Tuesday, March 21, 1939, stood at 62.0, compared with 66.0 a week ago and 62.2 a month ago. The corresponding average yields are 5.80, 5.48 and 5.77 per cent. A selection of the component indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1939 High
	Feb. 21, 1939	Mar. 14, 1939	Mar. 21, 1939	
Insurance (10)	112.3	116.8	111.4	116.8
Bldg. mats. (6)	73.1	75.6	71.6	76.6
Cotton (5)	21.2	27.6	24.8	27.6
Elec. mfg. (13)	120.0	128.6	120.3	128.6
Oil (4)	79.1	85.1	76.9	85.6
Home rails (4)	34.8	43.3	37.4	43.3
Brews., etc. (20)	117.5	116.3	110.3	117.5

Group	Yield %			Price 1939 Low
	Feb. 21, 1939	Mar. 14, 1939	Mar. 21, 1939	
Insurance	3.83	3.68	3.86	109.7
Bldg. mats.	7.53	7.16	7.22	64.9
Cotton	3.79	3.36	3.58	20.6
Elec. manufg.	5.94	5.44	5.85	111.9
Oil	7.61	7.01	7.81	73.5
Home rails	0.48	0.42	0.47	29.5
Breweries, etc.	5.66	5.66	5.97	106.7

New York

AFTER an undecided opening, Wall Street staged a general moderate advance on Tuesday, which carried the Dow Jones industrial index up by more than 2 points, only to lose ground heavily in mid-week. On Wednesday, the industrial average fell by 3.90 to the accompaniment of turnover of 1,440,000 shares. The German occupation of Memel added to the market's general political pre-occupations and caused a heavy wave of selling in the last hour. During the brief intervals when the market was feeling more confident, the main feature was an increased demand for armament and aircraft shares. But even on Tuesday there was no substantial public buying and turnover amounted to no more than 690,000 shares. The virtual stability in steel output—*Iron Age* estimates steel mill activity this week at 55½ per cent. of capacity against 56 per cent. a week ago—was not an encouraging pointer for the steel group. In the bond market, foreign issues were weak and rail bonds showed heavy losses, while Treasury issues failed to maintain Tuesday's improvement.

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			
	1939		Mar. 8, 1939	Mar. 15, 1939
	Low Mar. 22	High Jan. 4		Mar. 22, 1939
347 Ind'ls. ...	102.1	114.5	111.8	105.1
32 Rails ...	27.08	32.5	31.7	29.5
40 Utilities ...	80.3	88.3	88.3	86.4
419 Stocks ...	86.7	95.6	95.0	89.9
Av. yield ...	3.93%	3.31%	3.53%	3.66%
	High	Low		3.93%

* 50 Common Stocks. † March 8th. ‡ January 11th. § January 25th.

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

Mar. 16	Mar. 17	Mar. 18	Mar. 20	Mar. 21	Mar. 22
122.3	118.1	117.0	116.4	118.5	114.4

1939 High: 130.3 January 4th. Low: 112
January 26th.

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Mar. 16	670	5,450	131
" 17	1,470	7,500	227
" 18*	1,010	6,070	161
" 20	950	5,680	153
" 21	690	5,720	116
" 22	1,440	6,980	208

* Two-Hour Session.

New York Prices

Close Latest		Close Latest	
Mar. 23,		Mar. 23,	
1939		1939	

1. Rails and Transport

Atchafalaya	36½	33¼	Briggs	26*	24¼
Balt. & Ohio	6½	6	Chrysler	79½	74
B.M.T.	109½	10	Elec. Autolite	36*	38
Can. Pacific	43½	43½	Gen. Motors	49	46½
Ches. & Ohio	36½	35½	Hudson Mtr.	71½	68
G.N. Ry. Pl.	27	24½	Nash Kelvinator	77½	71½
Illinois Cent.	16½	14½	Packard Mtr.	4	3½
N.Y. Central	18½	17¼	Bendix Avtn.	25¼	23½
Norfolk Pac.	11½	10½	Boeing Airplan	28½	24½
Pennsylvania	21½	20½	Douglas Air	70	66
Southern Pac.	17½	15½	United Aircraft	38¼	37½
Southern Ry.	19½	17½	Air Reduction	56½	54¼
Union Pac.	100	98½	Allied Chem.	173	168
Greyhound	20¼	19	Col. Carbon	89	87

2. Utilities and Communications

Am. W'orks.	12½	11¼	Gen. Electric	405*	38
C.W'ith. & S.	19½	11½	West'ise Elec.	111	103¼
Con. Edison	32½	31½	American Can	91	88¼
Col. Gas & El.	7½	7	Addressograph	26	24
El. Bond & Sh.	11	9½	Caterpillar	52	48
Nat. Pwr. & Lt.	8½	8½	Cont. Can.	41	39½
N. American	24¼	22¼	Ingersoll Rnd	111	104½
Pac. Gas & El.	33	31½	Int. Harvester	64¼	58½
Pac. Lighting	49	46½	Johns Manville	93	85
Pub. Serv. N.J.	36½	35½	Am. Radiator	159½	13½
Stan. Gas & E.	37½	34	Corn Prods.	65½	61½
United Corp.	31½	31	J. I. Case & Co.	88	84
Un. Gas Imp.	12½	12	Glidden	219	19
Amer. Tel.	162½	157½	G. Am. Trans	55	51¼
Inter. Tel. For.	8¼	8	Allied Stores	10	9
West. Union	21½	20½	Celanese of A.	22½	19½
Radio	79½	78	Ind. Rayon	25	25
" B. Pref.	67	64	Colgate Palm.	15	14

3. Extractive and Metal

Metal			Loews	47½	45
Am. Rol. Mill	18	16½	20th Cen. Fox	21½	21
Beth. Steel	70	66¼			
Beth. Steel P.	114½	110			
Republic St.	20½	18½	5. Retail Trade, etc.		
U.S. Steel	60½	55½	Mont. Ward.	52½	48½
U.S. Steel P.	119	116¼	J. C. Penney.	87½	83
Alaska P'neau	9	9	Sears Roebuck	75½	71
Am. Metal	37	32	Walgreen	18½	18¼
Am. Smelting	46	41½	Woolworth	49½	47½
Anacosta	28½	26½	Borden	20½	19¼
Bohn Alum.	25½	21¼	Gen. Foods	41½	41½
Cerro de Pas.	41¼	41	Kroger Groc.	23½	24
Int. Nickel	50¼	48¼	Nat. Biscuit.	26½	26½
Kennecott	36½	36	Nat. Dairy	159½	147½
Patino Mines	11	10½	Am. Tob. B.	85½	83
Tex. Gif. Sul.	30½	29½	Lorillard	23½	22½
U.S. Smelt.	58	54¼	Reyn. Tob. B.	38½	38½
Vanadium	26¼	24¼	Nat. Distillers	27½	27¼
Atlantic Refg.	22	20½	Schenley Dis.	16½	15¼
Phillips Petr.	40½	37½			
Shell Union	13½	12½			
Shell Un. Pl.	105¼	105¼			
Socony Vac.	13	12¼	6. Finance		
Stan. Oil Cal.	29½	27½	Comcd. Credit	54	50½
Stan. Oil N.J.	48¼	48¼	Atlas Corp.	8½	7½
Texas	43½	41½	Com. Inv. Tr.	58	53½

* ad

Capital Issues

Two public issues and one new unit trust have braved this week's heavy political weather. The prospectus of *S. Guiterman and Company* is remarkable for the inclusion of a profits record extending over thirty years, the average of which is closely comparable with the average over the past five years. The cover and yield estimates, as befits a dual issue of this size, are necessarily generous. The *Squires Gate Blackpool*

Holiday Camp issue will doubtless appeal chiefly to Lancashire investors. The shares will be dealt in on the Manchester Stock Exchange. *Lombard Industrial Trust* is the first trust to be formed under the auspices of a new group, Lombard Unit Investments. The trust has an initial portfolio of 32 industrial shares; the trust is operated on cash fund lines; and the directors are assisted by a panel of investment consultants.

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
March 25	£227,003	£241,342	£241,342
To the Public	227,003	139,200	108,365
To Shareholders	224,283	Nil	Nil
By S.E. Intro.	403,404	...	857,659
By Permis. to Deal	450,000	...	450,000
Sav. Certs., week ended Mar. 18	450,000	...	450,000

Year to date	Including Conversions	Excluding Conversions
1939 (New Basis)	32,031,567	31,815,502
1938 (New Basis)	55,095,899	41,780,492
1939 (Old Basis)	19,849,323	19,633,258
1938 (Old Basis)	39,309,095	27,253,693

Destination
(Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	23,360,021	8,255,481	200,000
1938 (New Basis)	32,559,926	6,801,337	2,429,229
1939 (Old Basis)	15,945,902	3,487,356	200,000
1938 (Old Basis)	20,759,094	4,095,475	2,399,124

Nature of New Borrowing
(Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	16,720,169	1,555,046	13,540,287
1938 (New Basis)	19,981,099	3,757,846	18,051,547
1939 (Old Basis)	13,547,435	867,697	5,218,126
1938 (Old Basis)	15,534,122	2,260,722	9,456,849

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 OFFER

Squires Gate Blackpool Holiday Camp.—Issue of 100,000 6 per cent. redeemable cumulative £1 preference shares at par and 168,320 5s. ordinary shares at 6s. 3d. Proceeds to repay mortgage, etc., and for extensions needing about £50,000. Net assets, £68,202 (after mortgage and overdraft). Profits, before depreciation and bank and other loan interest, years to October 31: 1936, £7,024; 1937, £14,036; 1938, £12,915.

BY OFFER FOR SALE

S. Guiterman and Company.—Offer for sale of 55,000 6½ per cent. cumulative participating redeemable £1 preference shares at par, and 299,930 2s. ordinary shares at 2s. 3d. After 6½ per cent. on ordinary, preference and ordinary rank *pari passu* for further 3½ per cent. Preference redeemable at 22s. 6d. after 1943, on notice. Merchandising business in tools, etc. Profits, after depreciation, before directors' remuneration: 1936, £23,360; 1937, £35,597; 1938, £26,223. Total assets, £170,096. Whitehead Industrial Trust take issue, pay expenses, and retain 42.97 per cent. tax free ordinary dividend; net cost is par for preference and 2s. 0.4d. for ordinary.

ISSUE TO SHAREHOLDERS ONLY

H. M. Hobson (Aircraft and Motor) Components.—Issue to shareholders of 97,131 5s. shares at 10s., in proportion of two new for fifteen held on March 17th. New shares receive no interim for year to September 30, 1939, but otherwise are *pari passu* with existing shares.

CONVERSIONS AND REPAYMENTS

Parker's Burslem Brewery.—Issue of £200,000 4 per cent. mortgage debenture stock at 99½. Of this, £69,521 is required to redeem £66,211 4½ per cent. debenture stock at 105 and £69,679 to redeem £67,650 5½ per cent. "C" debenture stock at 103. Holders may convert into £100 new stock for £100 held, and will receive difference between redemption and issue prices in cash.

Ceylon Government.—£1,015,000 3½ per cent. inscribed stock, 1954-59, is being offered by way of conversion to holders of existing 4 per cent. stock, 1939-59, which will be repaid on April 15, 1939.

UNIT TRUST

Lombard Industrial Trust.—Managers, Lombard Unit Investments, Ltd. Cumulative; 20-year life. Portfolio, 32 British companies (in eleven industries); similar securities may be substituted, under terms of trust deed. Limits: 7½ per cent. of fund in any one company, and 15 per cent. in any one industry. Initial charge, 5½ per cent.; half-yearly fee of ½ per cent.

SHORTER COMMENTS

Company Results of the Week.—The moderate recession which has been evident in recent brewery results has affected **COURAGE AND COMPANY**, whose net profits have declined to £349,550 against £397,106; and the dividend is reduced from 20 per cent. to 18 per cent. For the first trading year, reported profits of **EARLS COURT, LTD.**, compare unfavourably with prospectus estimates at £9,036. The exhibition building was unlet for 230 days, and after charging debenture service, the debit forward is £121,383. **BALDWIN'S, LTD.**, total profits are £658,053 against £808,547, but the 10 per cent. dividend is maintained. **GUEST KEEN BALDWIN'S IRON AND STEEL** total earnings are approximately £15,000 lower at £768,493, while **WILLIAM BEARDMORE** net profits are more than doubled at £296,365. An increase in **PROJECTILE AND ENGINEERING COMPANY** trading profits from £166,481 to £176,438 is offset by higher taxation. **MILLOW AND ASKAM HEMATITE** report that the trading position deteriorated after the first quarter of 1938, and though the order book remained excellent, customers could not take delivery; stocks rose and a furnace had to be damped down. The 10 per cent. dividend, however, is maintained. The **JOHN LEWIS AND COMPANY** report, which is no less informative than usual, shows that trading profits of the group were virtually maintained at £313,301, while total profits are higher, although the dividend is reduced. Changes in money-turnover, and in the number of transactions, are set out in the report. **BRITISH ROPES** trading profit is approximately £6,000 lower at £385,224, and the distribution is maintained at 25 per cent. Both the recent profits and the immediate prospects of **CRAVEN BROTHERS (MANCHESTER)** are satisfactory. Net profits for 1938 are £100,653 against £76,173, and the volume of work in hand is enough to employ the works at capacity for over two years. The **JOHN DICKINSON AND COMPANY** report offers no comment on the lower profits and the reduction in dividend from 14 per cent. to 12½ per cent. **LANCASHIRE DYNAMO AND CRYPTO** record a satisfactory rise in total profits from £145,334 to £155,806. Results of soap companies controlled by **Lever Bros.** and **Unilever** show that total profits of **JOSEPH CROSSFIELD AND SONS** and **WILLIAM GOSSAGE AND SONS** have fallen moderately from £797,068

(Continued on page 649)

Industry and Trade

New Anglo-Indian Trade Agreement.—Dissatisfied with the operation of the Ottawa Agreement of August 20, 1932, the Indian Legislative Assembly passed a resolution in March, 1933, which left the Government of India no option but to give notice of its intention to terminate the Agreement. This happened in May, 1933, but it was then agreed that, pending the conclusion of a new agreement, the Ottawa provisions should remain in force, subject to three months' notice. After protracted discussions, a new Agreement was at last signed on March 20th, only eleven days before the Ottawa Agreement was due to expire; the Agreement will come formally into operation on a date yet to be agreed between the two Governments, and it will remain in force until March 31, 1942, when it will become subject to termination at six months' notice. So far as the United Kingdom is concerned, the changes are few in number. Broadly, Indian goods now entering this country duty-free will continue to enjoy that privilege, and, with a few exceptions, revisions and alterations, those subject to preferential treatment will continue to enjoy such treatment. As our jute trade correspondent points out in his report on page 640, the absence of provisions for a duty on Indian jute goods has caused keen disappointment in Dundee. On her part India has substantially re-written the Ottawa Agreement. She has cancelled the preferential treatment of many goods, including the following:—

Rubber tyres and tubes and other manufactures of rubber; hardware, ironmongery and tools; woollen yarn, woollen fabrics and mixtures, woollen hosiery, and woollen knitted apparel; paper (of kinds to which a preference was accorded at Ottawa) and stationery; iron and steel pipes and tubes; and ale and beer.

But many products—the most important of them are listed below—will continue to enjoy preferential treatment in India, a new preference of 7½ per cent. on motor cycles and motor scooters having been added:—

Motor cars and other motor vehicles; various chemicals, drugs, and medicines; electrical instruments, apparatus and appliances; iron and steel hoops and strips, and barbed or stranded wire and wire rope; paints, colours, and painters' materials; sewing and knitting machines and parts; copper, wrought, and manufactures of silver; and instruments, apparatus and appliances, other than electrical, not otherwise specified (excluding scientific and surgical).

While India's intake of goods which will continue to enjoy preferential treatment rose from £4,800,000 during the year ended March, 1934, to £6,700,000 in 1937-38, her purchases of goods on which the preferences were cancelled increased only from £6,900,000 to £7,500,000 during this period. In compensation for the abrogation of preferential treatment on a large number of items, India has made important concessions to the Lancashire cotton trade.

Lancashire's Gain.—The Lancashire cotton trade is the chief beneficiary under the new Anglo-Indian Trade Agreement. In the first year of the Agreement India's import duty on cotton piece-goods is to be reduced from 20 per cent. to 15 per cent. (in the case of printed goods from 25 per cent. to 17½ per cent.), and the alternative specific duty on grey goods is to be lowered proportionately. In subsequent years the duty on cotton piece-goods will vary with total exports to India and with the volume of Britain's purchases of Indian raw cotton. The standard quantities of Indian raw cotton to be imported by this country are: 500,000 bales (weighing 392 lbs. net each) in 1939, 550,000 bales in 1940 and 600,000 bales in subsequent years. (Retained imports averaged 537,000 bales in 1936 and 1937, against 375,000 bales in 1935.) Pro-

vided Britain takes these standard quantities of Indian raw cotton, her exports of cotton piece-goods may rise to 500 million linear yards per annum without incurring any increase in the basic rates of duty. If British exports rise above the maximum of 500 million yards, India may raise the duties in the subsequent year sufficiently to reduce them to that level. If, on the other hand, exports fall to below 350 million linear yards in any year, the duties will be reduced in the following year by 2½ per cent. below the basic rates. The basic duties will be restored in the year after exports have again fallen, or risen, to 425 million linear yards. Provision is made for an increase, or decrease, in India's import duties on piece-goods if Britain's purchases of raw cotton fall below, or exceed, by given quantities, the standard imports. Between the years ended March, 1929, and March, 1938, India's imports from Britain fell from 1,400 million linear yards to 279 million yards; these figures measure the extent of Lancashire's loss in the past ten years as well as the value of the new concessions, which have been applauded in Lancashire as much as they are likely to be deplored in Japan.

Increase in Building Permits.—The constructional industry obstinately refuses to comply with the frequent forecasts of an imminent slump in the industry. For example, the number of dwelling-houses built in England and Wales during the six months ended last September, at 158,942, was still 2.1 per cent. greater than the figure for the corresponding period in 1937. Nor is there any evidence of anything like a slump in other forms of building and public works contracting. Thus, the proportion of insured persons unemployed last month was only 2.8 per cent. higher than a year ago in building, while in the case of public works contracting the ratio of unemployed to the number of insured persons was actually 1.5 per cent. smaller than in February, 1938. To some extent the forecasts of a slump probably rested on the returns of the value of building plans passed by 146 local authorities. But these returns are not comprehensive and do not include direct Government contracts. Nevertheless, it is significant that, for the first time since last August,

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

he value of plans passed last month showed an increase over the figure for the corresponding month a year earlier. The increase between February, 1938, and the past month was 7.1 per cent., compared with a fall of 29.4 per cent., 28.4 per cent. and 14.7 per cent. respectively in the three preceding months. There was an increase in the figures for both dwelling-houses and factories and workshops, and while the February returns do not necessarily portend a recovery in building activity, they are one more indication of the revival of business confidence last month.

Wartime Regulation of Foods.—At the meeting last week of the Council of the National Farmers' Union, Sir Henry French outlined the plans of the Food Defence Department for the regulation of home-grown foods. The scheme envisaged is apparently that which was in force at the end of the Great War, with various modifications. Farm products would be taken over at fixed prices by the Ministry of Food, operating probably through the present personnel of auctioneers and merchants, who would become official agents of the Ministry. As a corollary, of course, the prices of feeding stuffs and other farm requirements will also have to be controlled and supplies may have to be rationed, in order to ensure the continuous production of the most essential foods. After the long delays associated with the organisation of A.R.P., the knowledge that the principles of the control of one part of Britain's food supply are already drawn up is very welcome.

Czecho-Slovakian Steel Industry.—By her annexation of Czecho-Slovakia Germany has obtained a considerable increase in the capacity of her steel industry. The following table shows the output of the two countries of crude steel and of pig iron and ferro-alloys for 1937 and 1938:—

	(000 tons)			
	Pig Iron and Ferro-Alloys		Crude Steel	
	1937	1938	1937	1938
Germany	15,709	18,226	19,538	22,875
Czecho-Slovakia	1,649	1,215	2,282	1,733

The Czecho-Slovakian industry is, however, largely dependent on foreign ores, bought mainly from Sweden, as the domestic ores have a very low iron content. About one-fifth of the output of the steel industry has been exported, the principal customers being Holland, Switzerland, China, Sweden and Italy, in order of importance; the export trade consisted mainly of iron and steel bars, tubes and fittings, plates, wire products and rails. The Czecho-Slovakian producers were members of eight international cartels, and it is presumed that their export quotas will be amalgamated with those of Germany.

Wheat Prospects.—The revised estimates of the wheat production in 1938 have raised still further the estimates of the size of this record crop. According to the International Institute of Agriculture, production last season amounted to more than 4,250 million bushels, distributed as follows:—

	1936-7	1937-8	1938-9
Total*	3,336	(million bushels) 3,614	4,291
of which—			
Europe	1,352	1,429	1,726
U.S.A.	627	876	931
Canada	219	182	350
Argentina.....	249	185	316
Australia	150	188	151

* Excluding Russia, Spain and China.

The export surplus in the current season is estimated at 896 million bushels and import requirements at 568 million bushels. The probable carry-over at August 1, 1939, has been put by the Food Research Institute at 1,135 million bushels, nearly double the 601 million bushels which were carried over into the current season; the excess

of stocks at August 1st over the amount required to supply importers until the next harvest is thus equal to about a year's import requirements. It is not surprising, therefore, that prices not only of wheat but also of other grains remain at a low level. Unfortunately, the protectionist policies of European countries prevent the low price of wheat from restricting the acreage grown; the area sown to winter wheat in 1939 in the countries for which statistics are available shows a further small increase compared with 1938, although it is reported that a considerable area will have to be resown, as a result of the December frosts. The area sown to winter wheat in the United States has been reduced by some 7 per cent. compared with a year ago, and, according to the United States Bureau of Agriculture, intended sowings of spring wheat, though well up to the average of earlier years, indicate a similar reduction in acreage. With a normal yield, therefore, supplies in the 1939-40 season will still be in excess of requirements, while the pressure of the new Argentine crop, which is now being stored by the Grain Board at ports and sidings, indicates that, in the absence of war, wheat prices are likely to remain at a low level for the remainder of this season.

Disappointing Lead Statement.—For several weeks the lead market has been buoyed up by hopes that the international lead agreement was undergoing reconstruction in order to strengthen the operations of the existing gentlemen's agreement. These hopes were disappointed on Monday last, when the Lead Producers' Association (which was formed in September, 1938, to adjust production to requirements on the extra-U.S.A. market), held a meeting in London to discuss the situation. The *communiqué* issued after this meeting stated that the first six months of the association had been reviewed; it added that since the introduction of the scheme stocks had been reduced by 10,000 tons. There is, unfortunately, no possibility of checking this figure. Statistics of stocks outside the United States are not published, and official statistics of production and consumption in the last months of 1938 are still incomplete. According to the British Metal Corporation's estimate, lead production outside the United States totalled 1,275,000 long tons in the whole of 1938, against 1,240,000 tons in 1937. For the same territories consumption, which had been 40,000 tons below production in 1937, was 45,000 tons lower in 1938, and the latest statistics indicate that the high level of extra-U.S. production was also maintained in January, in spite of the declining demand from the building industry, the chief consumer.

Reduction in Tin Quota.—At its meeting last Wednesday, the International Tin Committee decided to reduce export quotas in the second quarter of the current year by 5 per cent. of the basic tonnages to 40 per cent. As the 10 per cent. allotment to the Buffer Pool comes to an end, this decision involves, in theory, an increase in the export quota to the free market of 5 per cent. of the basic tonnages, or of some 2,350 tons, in the next three months. In fact, however, the size of the supplies in the immediate future is still uncertain, as the Committee announced that arrangements had been made for the liquidation of the 7,000 tons by which the allotted exports had been exceeded in recent months. The Committee did not state in what period the adjustment was to occur, but if the whole of the excess were to be deducted from the exports of the coming quarter (which is not likely), supplies in this period would equal an export quota of less than 30 per cent. of the standard tonnages. It is probable, however, that supplies to the free market in the next three months will not exceed those of the current quarter, so that, taken in conjunction with the improvement last month in the activity of both the American and Welsh tinplate industries, a considerable reduction in stocks may be expected during this period. Whether this prospect will lead to an advance in prices which would enable the Buffer Pool to sell some of its holdings will largely depend on political developments in Europe.

RAND MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA)

Dr. CONDENSED BALANCE SHEET, 31st DECEMBER, 1938. Cr.

CAPITAL AND LIABILITIES		PROPERTY AND ASSETS	
To Capital Account— Registered 2,200,000 shares of 5s. each £550,000 0 0 Less 49,005 shares of 5s. each in reserve 12,251 5 0 Issued 2,150,995 shares of 5s. each..... £537,748 15 0 Note. —The Directors have the power to increase the Capital of the Company from time to time up to a maximum amount of £650,000. Investment Reserve Account— As per Balance Sheet, 31st December, 1937 ... 3,886,698 8 9 Add—Premium on Reserve Shares and amount realised from sale of Investments during the year ended 31st December, 1938, less book value thereof and amount written off investments 193,355 19 2 4,080,054 7 11 Deduct—Funds retransferred to Appropriation Account—For amount of funds received from Reserve Shares and Investments sold during the year ended 31st December, 1938, in excess of funds expended on new Investments 316,138 19 11 3,763,915 8 0 Shareholders— For Dividends declared but unpaid 505,324 8 9 Creditors and Credit Balances 1,189,096 0 10 Balance of Appropriation Account— Unappropriated 944,565 0 6 £6,435,325 4 4		By Freehold and Leasehold Properties, Reservoirs and Ventures at cost, less depreciation £61,885 1 10 Shares, Debentures, etc., at or below market value at 31st December, 1938, or where unquoted at Directors' valuation— 335,041 Blyvooruitzicht G.M. Co., Ltd. 10s. 189,053 City Deep, Ltd. £1 85,406 Consolidated M.R. Mines & Est., Ltd. £1 571,746 Crown Mines, Ltd. 10s. 83,200 Daggafontein Mines, Ltd. 10s. 302,622 Durban Roodepoort Deep, Ltd. 10s. 107,455 East Daggafontein Mines, Ltd. 10s. 108,363 East Rand Proprietary Mines, Ltd. 10s. 27,306 Ferreira Estate Co., Ltd. 1s. 58,904 Geldenhuis Deep, Ltd. £1 114,300 General Estates, Ltd. 10s. 43,447 Grootvlei Proprietary Mines, Ltd. 10s. 131,366 Holfontein (T.C.L.) G.M. Co., Ltd. A. 10s. 83,528 do. do. do. B. 10s. 35,048 Lace Proprietary Mines, Ltd. 5s. 31,611 Libanon G.M. Co., Ltd. 10s. 135,072 Modderfontein B. Gold Mines, Ltd. 5s. 102,459 Modderfontein East, Ltd. £1 301,845 New Modderfontein G.M. Co., Ltd. 10s. 195,113 North Venezuelan Petroleum Co., Ltd. 13s. 4d. 60,911 Nourse Mines, Ltd. £1 42,780 Palmietkuil G.M. Co., Ltd. 10s. 41,085 Pretoria Portland Cement Co., Ltd. £1 113,322 Rietfontein (No. 11) Gold Mines, Ltd. 10s. 141,315 Rose Deep, Ltd. £1 56,250 Siparia Trinidad Oilfields, Ltd. £1 71,457 South African Coal Ests. (Witbank), Ltd. 10s. 44,978 The Hume Pipe Co. (S.A.), Ltd. £1 12,400 The Anglo-Spanish Construction Co., Ltd. £1 £248,000 The Anglo-Spanish Construction Co., Ltd. (65% repaid) 6% Debs. Shares of 92,000 Tocuyo Oilfields of Venezuela, Ltd. £1 65,433 Transvaal Con. Land and Explor. Co., Ltd. 10s. 39,908 Trinidad Leaseholds, Ltd. £1 81,158 Van Dyk Consolidated Mines, Ltd. 10s. 12,830 Vlakfontein G.M. Co., Ltd. 10s. 419,962 Vogelstruisbult G.M. Areas, Ltd. 10s. 89,950 Welgedacht Exploration Co., Ltd. 10s. 126,368 West Rand Consolidated Mines, Ltd. 10s. 48,587 Witbank Colliery, Ltd. £1 Sundry Shares, Debentures, etc. 535,528 1 4 Buildings, Plant, Stores, Vehicles, Furniture, etc. 7,080 14 0 Debtors and Debit Balances— Advances to Companies 23,509 4 8 Payments on account of mining supplies in stock and in transit for account of sundry mining companies 6,638 6 0 Current Accounts, Loans and Payments in Advance, etc. ... 38,690 10 6 Deposits, Fixed and on Call 1,338,727 1 8 Government and Municipal Stocks, etc. 232,817 5 5 Cash at Bankers and in Hand 32,907 10 10 Dividends to be received on Shareholdings 453,890 8 3 £6,435,325 4 4	

Dr. APPROPRIATION ACCOUNT. Cr.

To Dividend Account— Dividend No. 70 of 80 per cent., declared 14th June, 1938 (£430,199 0s. 0d.) and Dividend No. 71 of 80 per cent., declared 19th December, 1938 (£430,199 0s. 0d.) £860,398 0 0 Balance Unappropriated—31st December, 1938— Carried to Balance Sheet 944,565 0 6 £1,804,963 0 6		By Balance Unappropriated— As per Balance Sheet, 31st December, 1937 £564,606 1 10 Balance of Profit and Loss Account— For the year ended 31st December, 1938 923,827 7 8 Forfeited Dividends Account 390 11 1 Funds Retransferred from Investment Reserve Account ... 316,138 19 11 £1,804,963 0 6	
--	--	--	--

The Full Report and Accounts, with general plan of properties, may be obtained from the London Secretaries
A. MOIR & CO., 4 London Wall Buildings, London, E.C.2.

INDUSTRIAL REPORTS

HERR HITLER'S move in Czechoslovakia has dealt a severe blow to business confidence and there has been some evidence of a decline in new orders in certain industries. On the whole, however, business activity is well maintained. The coal trade is active in all districts, with the exception of South Wales, which has suffered severely from the decline in exports. Activity in the iron and steel industry also remains on the up-grade and the output of tinplates has shown an increase. Business in textiles has been less brisk as a result of the political developments. The new Anglo-Indian Trade Agreement, discussed on page 635, has been favourably received by the Lancashire cotton industry, but the absence of an import duty on Indian jute goods has given rise to dissatisfaction in the Dundee jute trade. The trend of general business activity, as well as the position in individual industries, is discussed in the *Trade Supplement* accompanying this week's *Economist*.

Coal

Sheffield.—Although there is a steady demand for industrial fuels, stocks are still heavy, there being a large surplus of smalls. The requirements of utility concerns have eased, and new business is slow. The colder weather has helped demand for household coal, and there is delay in delivery of best qualities. The call for blastfurnace coke is not heavy and the demand is easily satisfied. Central heating coke is a moderate market.

Although there are a fair number of inquiries, export business remains unsatisfactory. Recent quotations from this area have met with a poor response, keen competition coming from North-East Coast and Scottish collieries, and a subsidy provided by a levy on outputs is advocated to counter the disadvantages of collieries situated far from the seaboard. The Riga electricity works are inviting tenders for 60,000 tons of coal for April-October shipment.

★

Newcastle-on-Tyne.—The feature of the coal market in this area to-day is the demand from Germany for prime grades of Durham coking coal. In the past few weeks substantial quantities of this class of coal have been bought for delivery to the Northern German ports and this week there is more inquiry for delivery over the next 12 to 15 months. With this trade and also additional trade to Italy the prime Durham coking section is now very firm, with most collieries fully booked for this year. The position of the Northumberland steam coal section remains the same, large coal being firm owing to the inability of collieries to dispose of smalls and singles.

★

Glasgow.—With the advance of the season household demand tends to contract, and supplies of inferior and medium qualities of house coal are now in excess of requirements. Stocks, however, are not burdensome, and there has been some increase in industrial and public utility demand. The latter affects small as well as large coal; but apart

from pearls, washed nuts are now more freely offered. This reflects a rather curious position in the export branch, in which current demand is inactive, while summer bookings are on quite a good scale. Scandinavian markets have given substantial orders for forward shipment, the latest being a share in the Swedish State Railway contract, the whole of which, incidentally, has come to the United Kingdom. March is a "tween-seasons" month, with reductions in prices frequently decided upon for ensuing months. As there has been little shading of prices on the present occasion the quietude is probably due to abstention or diversion elsewhere of the marginal buyers.

★

Cardiff.—Conditions on the Cardiff coal market are practically unchanged. The recent increase in domestic requirements, due mainly to the revival in the iron and steel industry, led to an application for an increased inland supply quota for the March quarter, and a certain increase has been given to the district by arbitration between the local Executive Board and the Central Council. In the export trade a small contract has been secured for the supply of steam coals to Portuguese shipowners, and there are inquiries in the market for supplies to the Palestine Railways and the Oran Electricity works, but the current rate of shipment at the South Wales docks continues appreciably below the weekly average for 1938. For the first eleven weeks of the year the decrease in foreign and coastwise shipments amounts to 700,000 tons. Prices are generally unaltered.

Iron and Steel

Sheffield.—International developments have shaken the confidence of the iron and steel market, and there has been an easier tendency this week. Demand for forge and foundry iron, which was showing some signs of recovery, has become quiet, and there is less activity in hematites. Business in finished iron has also declined.

Basic steel billets continue in good request, and wire rods and steel bars are fairly active features. The market regards the present setback as merely temporary, and expects that it will be succeeded by a sharp revival.

Business in iron and steel scrap has kept up well, and the limited supplies of some classes of material have resulted in the placing of good contracts.

★

Middlesbrough.—The international situation has not tended to improve the position of the pig iron trade so far as export business is concerned; it has, however, tended to accelerate the production of steel and additional furnaces have been restarted this week, so that it is likely the March output figures will show a further improvement.

Good orders have been placed for steel, mostly in connection with Government requirements, and some of the plant is running at capacity. Merchant shipbuilding requirements are poor, but the announcement that additional naval vessels are to be built on the Tyne will produce orders for more steel.

Delivery instructions for hematite pig iron are given more freely both locally and in the Sheffield area, and if this continues the stocks in makers' yards will be reduced. The position of Cleveland pig iron shows no improvement, foundries only requiring moderate quantities, and in some cases continue to use cast-iron scrap in place of pig iron.

The pressure for heavy steel scrap continues, and supplies are not too plentiful. Users of Durham blastfurnace coke have their requirements fully covered. New business in foreign ore is not mentioned, whilst imports continue at approximately the same rate as last month.

★

Glasgow.—The situation remains very satisfactory and output is maintained at high levels in many branches. In the heavy steel trade production is greater than it has been for a couple of years, and it is also some time since re-rollers of bars and sections have had so much work on hand. Sheet makers are exceedingly busy and tube makers are fairly active, although in some departments business is quiet. Generally business shows some expansion and a considerable tonnage of work has been placed, including a fair amount for structural engineers. The four vessels which the Admiralty have decided to place with Clyde shipbuilders will provide employment for many men at the shipyards and engine shops of Messrs John Brown and Company and Messrs Yarrow and Company.

★

Cardiff.—The recent improvement in the tinplate trade as well as in the heavier branches of the iron and steel industry is well maintained. In February the local steel output, at 207,100 tons, was the largest of any district in the United Kingdom, and it is certain that this output will be substantially exceeded in the current month. The current supply of scrap is adequate for immediate consumption, but stocks are being rapidly depleted and imported material is expected next month. The output of tinplates has increased to 59.2 per cent. of the estimated capacity under the pooling scheme. Prices are unaltered, but changes were expected from the meeting of the International Cartel held in London on Thursday.

★

News from Abroad.—As far as can be seen the new political tension has had no material effect on the international iron and steel markets, which have suffered from the political uneasiness for many months. The reluctance of consumers to buy beyond their immediate requirements has not yet given way to the widely expected spring revival and people ask themselves whether the further delay in this revival will not mean a postponement until after the summer recess. Such a development might further weaken the already unstable price structure, although it is true that consumers cannot wait indefinitely with the covering of their requirements, which are quite substantial.

The granting of rebates on official prices has seldom been as widespread as at present, concessions ranging from

Textiles

5s. to 15s. (gold) per ton according to the product. Polish competition has increased, particularly on the South American and Near-Eastern markets, but it is expected that this competition will cease as soon as a satisfactory arrangement has been made with the Poles on their new quota. With regard to the American competition it is noteworthy that outsiders have recently increased their export prices, whereas producers who are members of the agreement with the European Cartel have made reductions.

Belgian producers report an increased flow of British orders for semi-products and a further increase of these pur-

chases is expected. The other European markets are quiet, whereas some substantial orders have been placed by Argentina.

The transfer of the Czechoslovak quotas to the German Cartels will further complicate the task of the International Cartel to comply with the various applications for quota adjustments. Whether the Czech steel works will now proceed with their plan to increase their capacity, as they intended to do after the cession of the Sudeten area, remains to be seen. Export prices for tinplates are subject to an examination by the International Tinplate Cartel.

Cotton (Manchester).—The demand for yarn and piece-goods has fallen off, as a result of political tension. The turn of events has been most unfortunate for Lancashire, in view of the distinct improvement in business during the past month. For the time being confidence has been severely shaken. The difficulties of trading have been increased by the fall in raw cotton prices on reports that the United States Government may release loan cotton; but so far no official announcement has been made.

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS

In submitting to the Shareholders the Accounts of the Corporation for the year ended December 31st, 1938, the Directors state:—

The Accounts are drawn up in Union of South Africa currency, English currency being ken at par.

The net profit for the year is £811,535 6s. 3d. plus £128,805 13s. 5d. brought forward, making a total of £940,340 19s. 8d. A final dividend of five shillings and sixpence per share was declared, making, with the interim dividend of two shillings and sixpence, a total of eight shillings, or £816,000 for the year. £124,340 19s. 8d. remains to be carried forward.

Exploration expenses incurred during the year amounting to £51,246 6s. 0d. have been

charged directly to Exploration Reserve Account, leaving a balance of £203,837 8s. 4d. to be carried forward on that account.

Holdings of Shares, Debentures and other securities have been taken into the Accounts at cost or under, but in no case above the market price of December 31st last, or, where no market price exists, above the Directors' valuation. At present market prices, these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to provide for contingencies by reducing the book cost of certain holdings both below cost and below market price.

The operating results of EAST GEDULD MINES have been as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
37	1,498,000	£3,063,598 (40/11)	141s.	£1,230,639 (17/1)	£1,782,959 (23/10)	£877,500 (9/9)
38	1,751,800	3,598,978 (41/1)	142s.	1,413,265 (16/2)	2,185,713 (24/11)	1,035,000 (11/6)

The ore reserve at December 31st last amounted to 11,500,000 tons assaying 6.0 dwt. per ton over a stoping width of 58 inches.

The operating results of GEDULD PROPRIETARY MINES have been as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
37	1,301,000	£2,294,285 (35/3)	141s.	£939,887 (14/5)	£1,354,378 (20/10)	£1,095,643 (15/0)
38	1,323,500	2,323,907 (35/0)	142s.	967,930 (14/7)	1,355,917 (20/5)	1,095,643 (15/0)

The ore reserves at December 31st last amounted to 9,050,000 tons assaying 4.9 dwt. per ton over a stoping width of 57 inches.

from other sources amounting to £404,285, which figure includes dividends on its large shareholding in East Geduld Mines.

The operating results of THE MODDERFONTEIN DEEP LEVELS (in Liquidation) have been as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
37	590,800	£377,552 (19/7)	141s.	£470,332 (15/11)	£107,220 (3/8)	£150,000 (1/6)†
38	595,300	581,790 (19/7)	142s.	483,001 (16/3)	98,789 (3/4)	100,000 (1/0)†

† Liquidation dividends.

The ore reserves at December 31st last amounted to 1,100,000 tons assaying 3.3 dwt. per ton over a stoping width of 68 inches.

The GROOTVLEI PROPRIETARY MINES reduction plant commenced operations on September 1st, and during the four months to the end of the year 230,500 tons of ore were milled for a working profit of £8,841. There was considerable absorption of gold in the plant. Work has been started on the first extension, which will increase the nominal capacity of the plant to 80,000 tons per month.

The total footage sampled during the year was 22,450 feet, of which 13,125 feet or 58 per cent., was payable. The ore reserves at December 31st amounted to 3,750,000 tons, assaying 6.5 dwt. over an estimated stoping width of 53 inches.

On MARIEVALE CONSOLIDATED MINES No. 1 Incline was sunk 4,241 feet to a total depth of 4,263 feet, and has almost reached the fourteenth level horizon. No. 2A Incline was stopped at a depth of 1,144 feet and No. 2B Incline was extended therefrom to a depth of 1,064 feet, where it has reached the tenth level horizon.

The total footage sampled for the year was 17,780 feet, of which 10,080 feet, or 57 per cent., was payable. The ore reserves at December 31st last amounted to 1,100,000 tons, assaying 6.1 dwt. over an estimated stoping width of 39 inches.

Orders were placed late in the year for a reduction plant with an initial nominal capacity of 500,000 tons per annum. The necessary funds were raised by the issue of 1,195,894 shares. That issue was disposed of by offering to shareholders the preferential right to subscribe for 339,167 shares at par and 250,000 shares at 15s. and your Corporation, who were 17,500 shares was subscribed firm at 15s. per share by your Corporation, who were responsible for underwriting the whole of the issue. It is anticipated that the proceeds of this issue may be insufficient by about £150,000 to meet the full requirements to the reducing stage. The plant is expected to be brought into commission about the end of 1939.

The reduction plant on VAN DYK CONSOLIDATED MINES came into operation in April last. During the following eight months to the end of the year 508,000 tons of ore were milled for a working profit of £170,444. Progress is being made with the extension of the plant to a nominal capacity of 80,000 tons per month. A maiden dividend of 3d. per share was declared in December last.

The total footage sampled during the year was 27,475 feet, of which 13,275 feet, or 48 per cent., was payable. The ore reserves at December 31st amounted to 2,250,000 tons, assaying 5.8 dwt. per ton over an estimated stoping width of 40 inches.

As a result of the prospecting work done in the ORANGE FREE STATE, SOUTH WESTERN TRANSVAAL and WESTERN TRANSVAAL the major portion of the areas which were held under option has been abandoned. Certain areas have been retained for further investigation.

The Corporation has acquired further options South of the Sand River and has initiated a prospecting programme with a view to locating gold-bearing horizons.

The ground immediately North of the Sand River is being prospected by Western Holdings, Limited, with whom the Corporation is collaborating. In the event of any companies being formed to exploit this area the Corporation has the right to acquire a substantial interest in such companies.

SAN FRANCISCO MINES OF MEXICO suffered during its financial year to September 30th, 1938, from the severe fall in lead, zinc and silver prices and from the burdens of increasing taxation and demands for higher wages. The mill treated a total of 577,690 tons for an operating profit of £80,015. After deducting the usual charges, and appropriating £44,890 to write off development account, there remained a net loss of £42,939.

SELECTION TRUST paid a dividend of 1s. and a bonus of 6d. per share for the fifteen-month period ended 31st March, 1938. The Company's major interests continue to be centred in the American Metal Company, Consolidated African Selection Trust and Trepsa.

The earnings of Roan Antelope Copper Mines and Rhodesia Selection Trust in Northern Rhodesia, and Trepsa Mines in Yugoslavia, have been satisfactory in face of the ruling low base metal prices.

The Corporation has acquired some Chrome deposits in the Lydenburg and Rustenburg districts of the Transvaal.

BAY HALL TRUST. The net profit for 1938 was £73,333. A dividend of 6 per cent. was declared, absorbing £60,352 on an issued capital of £1,005,875. The carry-forward was increased by £12,980 to £50,815. The Trust's investments as at December 31st last showed, at their current market prices, an appreciation of £150,211.

"SOUTH AFRICAN PULP & PAPER INDUSTRIES. Dr. Ing. Umberto Romilio supervised personally the completion of and starting up of those sections of the plant which had been erected to his designs under his patents. By the end of the year the erection of the major portion of the plant was complete, and some of the units had satisfactorily undergone initial tests.

Holders of Share Warrants to Bearer can obtain copies of the full Report and Accounts on application at the London Office, Princes House, 95 Gresham Street, E.C.2.

The yarn market has been distinctly quieter, there being a smaller turnover in American and Egyptian counts. There is every probability that the price agreement for medium American wefts will be renewed at the end of this month.

Fewer orders have been secured by cloth manufacturers. An event of importance has been the publication of the terms of the new trade agreement with India. The reduction in the duties is very welcome, and some leading merchants believe that the new conditions will result in an appreciable increase in business. Some manufacturers have sold fairly well for South America, the Dominions and home trade. Numerous buyers, however, have been more cautious.

★

Jute (Dundee).—Keen disappointment is felt in the Dundee jute trade, reports our correspondent, because the Government has completely ignored all the representations that have been made in recent years to obtain some measure of protection against the ever-increasing imports of Indian manufactured goods into this country. The new agreement still permits Indian jute goods to come upon this market free of duty. The trade in Dundee feels that it has received a raw deal, and the Association of Jute Spinners and Manufacturers has sent a telegram to a number of prominent Members of Parliament asking that something should be done before the agreement is ratified by Parliament.

The Dundee trade remains busy on the making of sand bags for the Government and private firms, but if this work were to cease, the industry would be in a very depressed condition, as there is very little business being done in other goods. By their ability to produce cheaply, Calcutta manufacturers can sell jute goods in the United Kingdom at something like ½d. per yard cheaper than Dundee manufacturers, who must pay wages determined by the Jute Trade Board. The Dundee Jute and Flax Workers' Union has just forwarded a request to the employers for an increase in wages of 15 per cent.

Raw jute has fluctuated, with Daisee-2/3 now quoted at £24 17s. 6d. per ton for the full group and £21 15s. for fours, while Tossa-2/3 is named at £25 5s. and fours at £24, April/March. Yarns are a quiet market at 2s. 6d. for common 8-lb. cops and 2s. 7d. for 8-lb. spools, while 10-oz. 40-in. hessians are nominal at 3½d. and 8-oz. at 2½d.

THE COMMODITY MARKETS

THE international crisis has checked the incipient re-stocking movement, and the general price trend, consequently, was downwards during the week ended last Wednesday. The extent of the decline, however, was comparatively small.

Among non-ferrous metals, copper, tin and spelter were all marked down, but lead prices remained virtually unchanged. The International Tin Committee's quota decision for the second quarter of this year is discussed on page 636. Rubber prices showed a decline and raw cotton was marked down sharply on rumours that the United

States Government may release some of its holdings. As usual during political crises, the markets in wheat and raw sugar were comparatively firm. The immediate outlook on the commodity markets depends largely on political developments.

The downward trend of prices was not confined to this country. Thus, Moody's index of prices of staple commodities in the United States (December 31, 1931=100) fell from 143.8 to 142.2 during the week ended last Wednesday.

Metals

Copper.—Sentiment on the copper market was considerably depressed owing to the political difficulties and the price of standard cash lost 11s. 3d. to close on Wednesday at £42 18s. 9d. per ton. The market was encouraged by the low level of United States exports, which declined from a monthly average of more than 11,000 tons in the last two quarters of 1938 to 3,300 tons in January and to 2,900 tons in February. As the situation on the U.S. domestic market has improved since the beginning of this month it is quite conceivable that exports will remain at a low level in the immediate future.

★

Tin.—The price of tin lost £2 to close on Wednesday at £214 5s. per ton. The uncertain political outlook and the meeting of the International Committee on Wednesday (whose result is discussed on page 636) combined to restrict the current demand.

★

Lead and Spelter.—The demand for both metals was less active than usual at this time of the year; the price of lead fell 1s. 3d. on the week to close on Wednesday at £14 17s. 6d. per ton, while spelter was 2s. 6d. lower at £13 13s. 9d. per ton. The meeting of the Lead Producers' Association, held in London this week, is discussed in a special industrial note on page 636.

Grains

EUROPEAN demand continues at low levels, although some more Australian cargoes of wheat and flour have been sold to China. The political developments of the past week were responsible for a temporary rise in wheat prices in near positions, but other deliveries are weak. Shipments from Argentina are still very small, though some improvement may be expected from the 5s. per ton reduction in the minimum freights made by the Tramp Administrative Committee. Maize prices have tended to fall, in the absence of demand, which is discouraged both by the premium on maize for near delivery and by the competition of cheap wheat. The trade in feeding barley is also dull.

Other Foods

Provisions.—The Board of Trade has arranged for the import of an additional 30,000 cwt. of bacon before Easter to meet the present deficiencies in supplies; prices of Danish and English on

the London Provision Exchange have remained at about 100s. per cwt. during the greater part of the current year. There was a fall in butter prices during the week, but conversely, egg prices, which normally reach a seasonal minimum in March or April, showed a slight recovery.

★

Colonial Produce.—The announcement last week that the American supply quota of sugar for the current year was to be reduced by 77,000 short tons strengthened the tone of the New York sugar market and has been reflected in an improvement in prices in London; refined sugars of all types were marked up by 1½d. per cwt. on Monday last. Little business has been transacted in cocoa and coffee, but tea prices received a further stimulus at the auctions early in the week.

★

Fruit and Vegetables.—Supplies of good quality old potatoes are short and prices have risen, while the larger imports of new potatoes are sold at lower quotations. Good kitchen vegetables are still in request in London, as consignments are limited.

Miscellaneous Commodities

Oils and Oilseeds.—After a period of stagnation due to the uncertain political outlook, a better tone has developed on these markets. The decline in freights from Argentina has been more than offset by a firmer tone in the Argentine market for linseed, although the demand from English crushers is largely concentrated on Indian supplies. The price of linseed oil has recovered the loss of last week, but there was a further fall in prices of Egyptian cotton seed, which is now quoted at £5 16s. 3d. ex Hull for March loading.

★

Rubber.—The market has been entirely overshadowed by political developments, which have reduced the volume of business to a very low level. Compared with a week ago, the price of standard sheet on the spot closed on Wednesday ½d. lower at 7½d. per lb., but lower levels were reached at the end of last week, from which some recovery was made later.

★

Furs.—During last week a series of silver fox sales took place in London. The supply reached the respectable total of 150,000 skins, but owing to the political crisis in Central Europe, the attendance was much smaller than was expected. Comparatively few foreign merchants were present, and the domestic demand was also much reduced. Only about 30 per cent. of the offerings found buyers, and prices, which have been firm for some months past, relapsed by 10 to 15 per cent. compared with the previous sale in January. On the free London fur market, business has been brought to a standstill by the unsatisfactory outlook.

COMPANY MEETINGS

THE HONGKONG AND SHANGHAI BANKING CORPORATION

[Incorporated in the Colony of Hongkong. The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.]

GRATIFYING RESULTS IN SPITE OF LAST YEAR'S DIFFICULTIES

THE FAR EASTERN CONFLICT: ABNORMAL TRADE AND CURRENCY SITUATION

JAPANESE ASSURANCES AND TREND OF DEVELOPMENTS IN NORTH AND CENTRAL CHINA

THE MARITIME CUSTOMS ADMINISTRATION

CONSIDERABLE INCREASE IN EXPORTS FROM SOUTH CHINA PORTS

MR T. E. PEARCE'S ADDRESS

The ordinary yearly general meeting of the shareholders of The Hongkong and Shanghai Banking Corporation was held, in Hongkong, on February 25 last.

Mr T. E. Pearce presided.

The Chief Manager read the notice convening the meeting. The Chairman said:—Ladies and gentlemen,—The report and statement of accounts having been in your hands for the required period, I will, with your permission, take them as read.

After making full provision for all known losses and contingencies, the net profits for the year amount to \$15,296,621.32, to which must be added \$3,383,004.53 brought forward from last year.

After deducting the interim dividend of £400,000 paid at 1/2.7/8 and directors' remuneration there remains available for distribution \$12,145,172.08, which it is proposed to allocate as follows:—

To pay a final dividend of £3 per share (subject to deduction of income tax)	\$7,744,537.82
Transfer to bank premises account	1,000,000.00
Carry forward to new account	3,400,634.26
	\$12,145,172.08

The figures of our balance sheet have again been converted at 1/2.7/8, the same as last year.

BALANCE SHEET FIGURES

There is very little to say about the balance sheet, which in total shows an expansion of about \$20,000,000 on each side. Excess note issue has increased by about \$10,000,000 and is met on the other side by about a similar increase in our holding of Hongkong Government Certificates of Indebtedness. Among our liabilities, Government Certificates have increased around \$24,000,000 while fixed current accounts have increased around \$11,000,000, while among our assets cash deposits have decreased \$42,000,000, investments \$30,000,000, while loans has increased \$13,000,000 and bills receivable \$46,000,000.

For a good many years it has been the custom for your chairman to review at some length in his speech to shareholders the political, currency, and trade conditions in the Far East. This year the political situation is so delicate and the currency and trade situation so abnormal that while making some references to each of these headings I trust you will not be disappointed if I confine my remarks in the main to generalities and leave untouched, or pass but lightly over, matters about which you hoped for stronger words or more detailed observations. I am sure you realise how foolish it would be for one in my position to attempt to enlarge on subjects which at the moment are both controversial and of great political delicacy.

We are, of course, not in the inner confidences of any Government, and it is obvious that the more I say the more easy it will be for misinterpretations to arise.

CHANGEABLE ECONOMIC OUTLOOK

Our balance sheet and statement of account show that in spite of all difficulties we have managed to hold our own, and the measured optimism of last year's chairman has proved to be justified. But all of us who have a solid stake in business and trade out here are aware how precarious and changeable the financial and economic outlook must inevitably be so long as the two great neighbouring Eastern countries remain antagonistic. The present conflict has also led to an unsatisfactory situation in regard to the maintenance of the "Open Door" and British rights and interests in China.

There are some who blame our Home Government for not taking a stronger line of action both here as well as in Europe. I do not, however, propose to criticise British policy. In times of international crisis freedom of speech and freedom of the Press have their drawbacks and much harm has, in my opinion, been done in recent times by careless criticisms, rumours, and the publication of unauthenticated news items. I believe that recently there has been more controversy at home than is wise and desirable about questions of foreign relations. At any rate, it is abundantly clear that His Majesty's Government are steadily strengthening the nation, while at the same time they are freeing their hands and thus becoming more prepared to face future events without embarrassing entanglements. Moreover, the Powers most interested in the Far East have made their stand clear: that the position of their nationals is governed by the strict observance of international obligations such as the Washington Treaties and other international agreements, the alteration of which by unilateral action will not be considered.

JAPANESE ASSURANCES TO THE POWERS

From the Japanese side there have also been very explicit assurances that Japan will respect to the fullest extent the rights and interests of the Powers in the occupied areas while leaving "the door wide open." Mr Hirota used these last words on January 22, 1938, and similar statements have been repeated by important Japanese officials on numerous occasions. It is, however, impossible to reconcile such assurances with the trend of developments in North and Central China. Our important stake in the economic structure of the Far East naturally makes us very anxious that treaties, agreements, and properly authenticated statements should mean what they say and be carried out with good faith.

CURRENCY SITUATION

In regard to the currency situation in China, you all know how matters stand—that, as in many other countries, the currency has more than one exchange value, the official rate and the open market rate, which varies in different parts of China owing to restrictions on the movements of bank notes. Until March the exchange was maintained satisfactorily in Shanghai, but when the Federal Reserve Bank was formed in North China and threatened to undermine the national currency a system of exchange rationing was introduced.

This resulted in operators obtaining their exchange requirements where they could, and a "black market" started, which eventually became the normal open market for Shanghai, as distinct from the closely rationed official market. As allotments at the official rate became more limited the open market rate fell away gradually. Thus the dollar was at about 10½d in the middle of May. A month later it was down to 8d., and eventually the lowest point of 7½d. was reached early in August. Support was then forthcoming, and soon after the tide turned and the rate recovered to around 8½d. Since then the rate has kept reasonably steady and there have been, comparatively speaking, only slight fluctuations caused by military or political developments or local rumours. At the end of the year not only had flight from the currency ceased but there has been a fair amount of repatriation of funds.

"EXTERNAL INFLUENCES"

You can read between the lines how difficult and tense a time exchange bankers had throughout the first nine months of the year. Even now there is an ever-present fear of what I may call "external influences." The Tientsin and North China exchange market has particularly suffered from these "external influences," and the outlook there remains under this cloud.

War-time conditions govern the finances of the Chinese Government, but the latter have been assisted by good crops in the Western provinces, and by the fact that remittances of money from Chinese residents abroad have been remarkably well maintained. Perhaps I can sum up the currency and financial situation in China by saying that, partly through good fortune but more through skilful management, it has been kept well in hand.

THE CUSTOMS LOANS

We have watched with anxiety the developments taking place in regard to the Chinese Maritime Customs Administration. Although the so-called Anglo-Japanese Customs agreement of last May has not yet been endorsed by the Chinese Government, we are satisfied that it did in fact serve a valuable purpose in aiding the Administration to pass safely through a period dangerous to its integrity. Weighty reasons have restrained the Chinese Government from putting the agreement into effect, but we are sorry that this has not been done. Apart from other things, it has meant that no foreign loan quotas have been remitted from the ports under Japanese control. Moreover, we had hopes that some similar *modus operandi* might have been applied to other difficult questions of international concern.

In spite of this, the payments due on Customs loans were maintained without delay or hesitation throughout 1938. But early in January the Chinese Government eventually were driven to the decision that, since 80 per cent. of the Customs revenue was out of their hands, they could no longer bear the whole burden of finding the equivalent of some £400,000 each month to meet these loan requirements. However, no public default has yet taken place, and it may still be avoided. The future of the Customs loans is bound up with the outcome of the present conflict, but we feel sure that the Chinese Government will do all they can to set matters right, as we believe that the maintenance of their credit through these loans is a matter about which they take considerable pride.

INSPECTOR-GENERAL'S SERVICE

Meantime it is pleasant to be able to record that, in spite of adverse circumstances the Customs service has been able to weather the storms of the past year without any breakdown in its centralised administration under one nominal authority in the person of the Inspector-General, whom we must congratulate on just having concluded 10 years of outstanding service in his arduous post. Notwithstanding the varying conditions of war that have existed at

one port after another, Sir Frederick Maze and his international staff of Chinese, Japanese, British, and some 20 other nationalities, have throughout shown tactful judgment under unusually difficult conditions. More than ever is it of importance that the international nature of the Customs service should be continued and that its impartiality *vis-à-vis* foreign merchants of different nationalities should be unimpaired.

I mentioned just now that at one time we had hopes of the application of some *modus operandi* such as the Customs Agreement to other difficult questions of international concern. I was thinking of the Salt Administration and the railways. When the Salt Gabelle was organised, at the time of the flotation of the Reorganisation Loan, there were great hopes that this new Administration would act like the Customs Administration and, with the help of the foreign personnel, insulate the Salt Revenues, and the loans secured thereon, from local disturbances and even more serious eventualities. To a certain extent the Salt Administration in past years succeeded in doing so, but the Chinese Government have from time to time effected changes as a result of which the foreign element has been unable to exert those neutral influences which we would have wished. The Salt Revenues of China remain of great importance and are a potential security which may be of considerable value in the eventual rehabilitation of the country, if confidence still exists in the administration.

THE RAILWAYS

As regards the railways, the situation naturally deteriorated as the war was prolonged. The Peking-Moukden Railway is now alone of all the Chinese railways running fairly normally. There is no point in speculating about the future of the other railways in which British bondholders are interested. They have all suffered severe damage, and it is clear that so long as warfare continues—and there is no sign of an end—the railways will, generally speaking, be liable to constant attacks.

The Chinese succeeded in removing a very considerable amount of rolling stock and destroyed large sections of the track and many bridges before they retired westwards. As a consequence, the Japanese have had to bring much rolling stock over from Japan and undertake a great deal of reconstruction work at heavy cost. There has been a lot of talk about the Burma Road and the Burma Railway. The completion of the former is undoubtedly a magnificent feat, though its practical importance should not be over-emphasised. The railway is still in the preliminary stages, and what its future will be it is too early to foretell.

EXPORT FIGURES

The Customs Returns of Trade for 1938 are not easily comparable with those of previous years, but the export figures do indicate how successful the Chinese Government were in gradually diverting exports from the Yangtze to South China ports. Thus exports from Shanghai dropped greatly, while the majority of the South China ports showed considerably increased exports. The comparison would be more striking were it not for the closure of Canton and some of the other Southern ports after the middle of October.

The Tientsin figures are a considerable improvement over the previous year, mainly because of the great increase of trade with Japan. Canton and Hankow, in spite of air raids and various restrictions, enjoyed a phantom prosperity for some nine months of 1938, but the immediate outlook is gloomy for the handful of foreigners sticking it out in those places under unpleasant conditions. The reopening of the Pearl and Yangtze Rivers to foreign shipping are naturally matters of very great importance to Canton and Hankow, but Hongkong and Shanghai are also vitally affected, and merchants of all nationalities are watching the situation with concern.

DISORGANISATION OF TRADE

The general disorganisation and dislocation of trade and industry in China during the past year necessitated constant adjustment to keep in line with the changing situation. May 1, for instance, remind you that during the year the Japanese occupied the ports of Tsingtao, Chefoo, Wei-hai-wei, Amoy, and Canton. They advanced up the Yangtze beyond Hankow to Yochow, and for varying periods Wenchow, Foochow, Ningpo, Swatow, and other Southern ports were closed for one reason or another. As a matter of fact I

MANCHUKUO

believe that I am correct in saying that Shanghai, Tientsin, and Chinwangtao were the only treaty ports on the China coast which were not subject either to closure or naval operations at one time or another. That shows you what merchants and shippers had to put up with.

Yet this is by no means the whole story, because even when ports were open to shipping all kinds of restrictions were frequently imposed. Moreover, in the hinterland, multitudinous forms of irregular taxation became prevalent, while the dangers and difficulties of transportation increased charges enormously. Yet the movement of both import and export cargo went on. This was largely due to the amazing resilience and tenacity of the Chinese farmers and traders, which enabled them, sometimes with Government help but often without, to find ways and means of moving goods in spite of the adverse conditions with which they were confronted.

In fact, the volume of some important exports has been maintained at a level well up to average years. Significantly enough there has been a great increase in the export of raw cotton to Japan, from 234,000 quintals in 1937 to 964,000 quintals last year. In West China development proceeds apace, and the efforts being made to improve agricultural methods and to promote the production of goods of importance to the export trade will surely prove their value in the course of time.

CONDITIONS AT SHANGHAI

Shanghai has perforce had to resign itself to the new conditions, which have outwardly changed very little during the year. In spite of its main artery, the Yangtze River, being severed, the past few months have shown a distinct improvement, both in imports and exports, over the low level of the earlier months of last year. Up there in Shanghai you have, crowded into the limits of what are regarded as the safety areas, a population which is equal to, if not greater than, the population which previous to the hostilities lived in three separate administrative districts of the International, the French, and the Chinese Municipalities.

Moreover, considerable industrial activity has developed in the western district controlled by the Shanghai Municipal Council. New cotton mills, silk filatures, paper mills, and also numerous plants of the type employing only a handful of workers have sprung up, and this feature continues. These developments have caused difficult problems for the Municipal Council as well as for the utility companies. In the Japanese-controlled areas north of the Soochow creek little change is to be recorded. A few more factories have opened and a few thousands of Chinese have returned, but by and large those areas remain much the same as a year ago, and no serious attempt at reconstruction of the devastation has yet been set in hand.

Unfortunately, barely perceptible progress has been made in the negotiations affecting Shanghai and its relations with the Japanese military and naval forces, and I can only underline what your chairman said last year when he emphasised the importance of the Powers supporting the present Municipal Administration, pending a final settlement of the Shanghai problem in all its aspects.

EFFECT OF THE WAR IN JAPAN

Any visitor passing from China to Japan will be struck at seeing what little outward effect the war has had on the latter country. But the effects of the war are, of course, telling on her month by month, and the external value of the yen is now little or no higher than the Chinese dollar. Japan is, however, a well-disciplined country, with a highly organised system of Government, and it would be a mistake to under-estimate her lasting powers under conditions as they exist at present. Whether these conditions change or not mainly depends on external political developments.

China's loosely knit organisation contrasts vividly with Japan's, but the threads of its organisation are stronger than they seem; they have an elastic quality which gives but does not easily break. Too much stress ought not to be laid on any indices relating to the economic condition of either of these countries. Under modern conditions even Europe has no right to cast stones at Asia because of abnormality in regard to statistics relating to budgets, national debts, currency reserves, and so forth, and in any case these are realms in which the most august authorities often make miscalculations.

Manchukuo year by year becomes more closely knit with Japan, so I will not linger except to draw attention to the new barter agreement concluded with Germany during the year, which is expected to divert more trade from other countries. Yet it is interesting that the final trade returns show that Manchukuo took goods from the United States of a greater value than ever before; materials for war industries being presumably the explanation.

In Hongkong we have seen fluctuating conditions throughout the year very dependent, as always, on the *entrepot* trade with China. The fall of Canton and the closure of other southern ports has, of course, had an adverse effect on the business community, but it has caused no panic and we are prepared to wait and see what this coming year will bring forth. Fortunately the currency and finances of the Colony are sound, so we are in a position to face the future with confidence.

PHILIPPINE ISLANDS

The trade and finances of the Philippine Islands showed some recession in 1938, but there is plenty of optimism about the coming year. The gold output and base metal production both grow steadily, and are an increasingly important factor in the economic outlook. Supporters of the movement to bring independence to the Islands earlier than 1946 seem to have veered round in their views, as a result of the conflict in China, and the report of the Joint Preparatory Committee on Philippine affairs has helped to put a seal on this agitation.

In Malaya the setback which started in the last quarter of 1937 continued into 1938. The trade figures are far from satisfactory, while banks have been overloaded with cash. Malaya, of course, depends for prosperity largely on the rubber and tin industries, and in both cases 1938 saw decreases in production as well as reduced average prices. Stocks are now gradually falling, but the future depends, as always, on demand from America.

Trade in India has been dull, and exports of merchandise have fallen somewhat alarmingly. A notable change took place in the exchange market when last April the Reserve Bank of India dropped its buying rate. The effect was to cause exchange to weaken and attacks on the market by speculators were only checked in December after the issue of a strongly worded *communiqué* by the Government stating their determination to maintain the existing exchange value of the rupee.

NEED FOR MEDIATION

Before I end I have one more word to say about the situation in the Far East. For many years relations between these great neighbouring countries of China and Japan have been unsatisfactory, and unfortunately there are at the moment few indications of any clearing of the air. In fact, things are drifting dangerously, and the gap will grow more and more difficult to bridge unless mediation is attempted soon. For merchants of all nationalities the desirability of an early cessation of hostilities is manifest, but for millions of desperate people it is of vital importance—a matter of life and death.

This is not the occasion to dilate upon the desolation existing over hundreds of square miles of territory; upon the wretched conditions of millions who first by military operations and then by succeeding waves of brigandage have been pillaged and despoiled and are likely to suffer repeatedly in similar fashion until peace is once again restored. I only urge that these conditions should be kept in mind by those who are charged with the direction of national policies and that no opportunity be missed to mediate with a view both to relieving the appalling distress as well as to obtaining a situation in which China and Japan can develop naturally and pacifically to the benefit of the whole world.

WORK OF EXECUTIVE AND STAFF

Ladies and gentlemen, I cannot conclude without referring to the excellent work of the members of the staff of the bank, and particularly of the managers and agents stationed at ports in the Far East who have had to deal with problems such as bankers elsewhere rarely, if ever, have to face. They have served us well, and I am sure you will agree that our special thanks are due to them this year.

I now beg to propose the adoption of the report and accounts, as presented, and after they have been seconded I shall be pleased to answer to the best of my ability any question that may be asked.

MR A. W. HUGHES'S SPEECH

In rising to second the report, Mr A. W. Hughes said:—Mr Chairman, ladies and gentlemen—It gives me great pleasure to second the proposal that the report and accounts as presented to this meeting be adopted.

While our chairman's opening remark to the effect that there is little to say about the balance sheet may be true in that the figures now before us follow fairly closely those of last year, I feel I am but expressing the views of shareholders in saying that the net profit shown in the 1938 general profit and loss account is very gratifying to us. This is all the more so because of our knowledge of the difficulties under which the bank's work has been conducted during the past year.

Strength shows itself only when tested by adversity, and there are few present to-day who are unaware that the past twelve months have produced most of the adverse factors that an institution such as ours can expect to encounter. If confirmation of this is required, one has but to reflect upon the fact that during 1938 the world was in a continual state of political and social unrest, and that no less than nine months out of the twelve were marked by international crises, each one of major importance and having a marked effect upon the financial markets of the world.

BOARD CONGRATULATED

That the bank's strength was demonstrated during this period is evident from the statement now before us, and I would be lacking in a sense of appreciation if, on behalf of all shareholders, I did not tender to the board of directors, the chief manager, and staff our thanks for and congratulations upon the fine result they have achieved. It gives me great pleasure to do so.

In the difficult circumstances in which the world at present finds itself it is understandable that you, Sir, have deviated from custom and refrained from lengthy comment upon such delicate subjects as politics, trade and currency conditions in the Far East. Naturally we are interested in all of these subjects, and because of the leading part the bank plays in the economics of the Far East we listen each year with eager attention to its chairman's reviews and anticipations. Undoubtedly upon this occasion your reticence is wise, and I propose to follow your example, making but a short comment upon one aspect of the China situation. All I would say is that the deepest sympathy of every person having the smallest claim to human feelings must go out to the unfortunate and innocent victims of the present strife.

On occasions such as this the bank has joined with others in providing succour for sections of the community who through disaster are in dire need. I feel sure the directors' policy in this respect has the full support of its shareholders.

Mr Chairman, I now formally second the adoption of accounts as presented at this meeting.

The Chairman: There being no questions, as proposed by myself and seconded by Mr A. W. Hughes the motion now before the meeting is the adoption of the report and statement of accounts as presented.

The report and accounts were unanimously adopted.

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

EASTERN BANK, LIMITED

SATISFACTORY RESULTS

The twenty-ninth annual general meeting of the Eastern Bank, Limited, was held, on the 22nd instant, in London, Sir James Leigh-Wood, K.B.E., C.B., C.M.G. (the chairman), presiding.

The Chairman, in the course of his speech, said: The net profit is lower by £15,500 at £111,600, from which we propose to pass £40,000 to contingency account and to recommend a final dividend of 4s. a share, less income tax, after crediting Dominion tax relief. With these appropriations the dividend for the year will have been the same as for 1937 and the carry-forward will be slightly increased at £82,800, as against £81,200 brought into the account. I hope you will regard the final result as satisfactory.

POSITION IN INDIA AND IRAQ

The Budget recently presented by the Finance Minister in India is reassuring and shows an estimate for a small surplus in 1939-40 without substantial increase in taxation, with the exception of the tariff on raw cotton designed to promote the domestic cultivation of the long staple type which is now imported in large quantities. A further satisfactory feature is the agreement reached by the great majority of the jute mills in regard to uniform hours of working in order to prevent over-production, with consequent unprofitable selling prices; this agreement runs for five years and should be beneficial to those concerned in this important industry.

I will not weary you with many figures except to refer to the continued drop in the values of exports of piece goods from Great Britain to India, which for 1938 were £4,571,000, as against £5,709,000 in the previous year. In 1929 the figures were over £26 millions, so you can easily appraise the effect upon the Manchester and allied trades. I sincerely hope the Trade Agreement concluded on Monday last between Great Britain and India, in which both parties made concessions, will go some way to restore the export trade in cotton goods.

Indian trade statistics show an all-round reduction, as imports of merchandise are £8,000,000 down and exports are lower by £31 millions. The favourable trade balance is £22 millions, as compared with £42 millions last year—both these figures include treasure and the actual favourable balance covering merchandise is only £11,300,000.

Bearing these facts in mind, you will appreciate the difficulties of banks trading in the East, although with the return of more stable conditions throughout the world, I am confident of a marked and favourable change in the affairs of the great country of India.

The recent revaluation of gold held by the Bank of England may encourage the Government of India to adopt a similar course, which would result in a writing-up of gold values from £33 millions to £58 millions, and the resulting adjustment would form a strong exchange reserve should that be required, but it is premature to speculate on this matter, as special legislation would be necessary before the Reserve Bank could take action.

You will recollect that Iraq has had a balanced Budget for several years and that for 1939-40 is now before Parliament. While showing a small estimated deficit of £60,000, there should be little difficulty in adjustment, as there is a substantial rise in income, not only from oil but also from Customs and Excise, which now provide half the total revenue estimated at £5,700,000, of which, unfortunately, no less than £1,600,000 is required for Defence.

THE CONTINENTAL SITUATION

Referring to the Continental situation, the Chairman said: One development especially repugnant to me is that of barter, which is surely putting back the clock to the Middle Ages. Our modern system of exchange through the instrument of bills and credit had been brought to a pitch of perfection with advantage and economy alike to producer, merchant, bankers and the discount market, but this fine piece of constructive work is being impaired with corresponding reduction in volume of international bills of exchange.

I am not, however, unduly discouraged, as with the revival of confidence—the real currency of the world—I believe there will be a return to the more simple ways which have served mankind so well for generations. There are now definite signs of basic recovery in the United States as well as in France, though it would be idle to deny the gravity of the international situation.

The report and accounts were unanimously adopted.

THE SCOTTISH PROVIDENT INSTITUTION MUTUAL LIFE ASSURANCE

ANOTHER YEAR OF STEADY PROGRESS

THE QUINQUENNIAL REPORT

MR GEORGE BROWN'S ADDRESS

The 101st annual general meeting of The Scottish Provident Institution was held in Edinburgh on Tuesday, March 21, 1939, Mr George M. Brown in the chair.

The Chairman, in moving the adoption of the report, said:—The statement of business for the year calls for only brief comment. It is a record of the steady progress with which members have long been familiar.

Proposals for new assurances amounted to £3,875,239, which is the largest yearly total we have ever dealt with. The amount of new business actually completed was £3,478,628 gross, or £3,158,519 net after deducting reassurances. During the quinquennium the amount of life assurance completed was in round figures £15,800,000, as against £14,600,000 for the previous five years.

The new premiums (deducting the premiums on sums reassured) amounted to £119,624, a total slightly less than was reported last year.

Our claims at £1,289,632 again show a decrease, their incidence being favourable.

The total funds now stand at £25,396,055, showing an increase during the year of £330,196.

The rate of interest realised, £4 9s. 6d. per cent. gross, is 9d. less than we reported last year, while the net rate of £3 13s. 2d. per cent. is, owing to the increase in taxation, 2s. 5d. less. These yields are calculated on the total funds, including the reserve fund.

QUINQUENNIAL REPORT

So much for the results of the year 1938. Let us now pass to the main features of the quinquennial report.

As regards the assets, these were, as usual, scrutinised in detail by a committee of the directors.

To look back over the past twenty years is to realise how much more unstable economic conditions have been than they were in pre-war days. Fluctuating foreign exchanges have seriously affected trade, while international relationships have been embittered by jealousy and mistrust, bringing in their train war and the menace of a European conflagration. Under such conditions our large hidden reserves have stood us in good stead, and it is satisfactory to be able to state that, notwithstanding the depreciation in values during the past year, the market value of our Stock Exchange securities exceeds the value at which they stand in the balance sheet, while the investment reserve fund of £600,000 remains intact.

In valuing our liabilities the mortality table employed is that most recently published. This shows rates of mortality more favourable than those of the OM Table used at previous investigations. On the other hand, an interest rate of 2½ per cent. has been assumed, as against the 3 per cent. previously. The net result is a strengthening of the reserves.

On these bases the total surplus is £2,094,996. Out of this, intermediate bonuses amounting to £143,439 were paid during the quinquennium, leaving a balance of £1,951,557. Of this, £1,289,613 arises on the common fund for whole life assurances; £661,889 on the special endowment assurance fund; and the small sum of £55 on the capital redemption fund.

DISTRIBUTION OF THE SURPLUS

In regard to the distribution of the surplus, I would explain that the common fund now consists of two series of policies. It will be remembered that in 1928 we reduced our rates for whole life assurance so as to adhere as closely as possible to the fundamental principle of the Institution—viz. to charge the policyholder the largest possible with safety and thus to give the policyholder the largest possible assurance cover for his outlay while reserving for him the right to ultimate participation in any surplus that might arise from the low premiums. In the early days when the Institution was founded its premium rates were in many cases actually lower than the non-profit rates charged by its rivals. As time went on, more favourable

mortality experience and higher interest rates enabled offices to reduce their non-profit rates; so our old rates got, as it were, somewhat out of focus. Ten years ago, therefore, we reduced the rates, as I have said, explaining, when we did so, that policyholders under the new rates could not expect to receive bonuses as large as those yielded by the older rates. That is the reason why policies under the common fund are divided into two series.

Dealing first with the older series, you will see that policies now sharing for the first time have been allotted reversionary additions at the rate of £1 8s. per cent. on the sum assured for each complete year of their duration up to December 31, 1938, excluding the war years 1914-18, in respect of which no divisible surplus arose.

Policies sharing for the second time have been allotted £1 10s. per cent. for each year of the quinquennium; those participating for the third time, £1 12s. per cent.; those participating for the fourth time, £1 14s. per cent.; and older participants, £1 16s. per cent.

At last investigation (in 1933) the rate allotted to first participants was 30s. per cent.; so you will see that the conditions which have obtained during the past five years have, in the opinion of your directors, made it advisable to reduce the rate to first participants by 2s. per cent. As regards previous participants, we have on this occasion graduated the rates up to a maximum of 36s. per cent.

The new series comprises the policies of those who entered under the rates of premium now current. The number of participants is, of course, relatively small as yet. We have decided now to allot bonuses at the same rate, 15s. per cent., as we allotted in 1933 to the very few participants then. I would, however, emphasise what my predecessor five years ago pointed out as regards this rate, viz. that it should not be taken as necessarily applicable to the great body of normal policies which will in due course rank for participation.

The sum required to provide these bonuses under both series is, as you will see, £854,985, leaving a balance of £434,628. Of this, £343,608 falls to be reserved for policies not yet entitled to participate, and the balance of £91,020 is reserved against contingencies.

WITH-PROFIT ENDOWMENT ASSURANCES

We now come to the with-profit endowment assurances. These form a special fund, the surplus on which is divisible entirely amongst the policyholders in this class. Again, for the reasons which I have stated, the rate of bonus has been fixed at 35s. per cent. as against the 38s. previously declared. In this class bonuses are allotted on what is known as the compound system—that is to say, the declared rate is calculated on the sum originally assured and existing bonuses. Thus no policy will receive a bonus smaller in amount than it received at the last division. The rate of intermediate additions is subject to annual revision, and meantime it will be the same as that now declared—35s. per cent. The small surplus of £55 arising on the capital redemption fund has been carried forward.

Having now given a brief summary of the main features of our report, I should like to refer to one or two points in the revenue account and balance sheet.

In the revenue account you will see that the claims by death were £875,000, a smaller sum than we have reported for years, while the claims paid on the maturity of endowment assurances have, as one would expect, increased—to £393,000.

In the balance sheet the assets side will naturally interest you most. Over 93 per cent. of our funds is invested within the British Empire.

The largest item on the assets side in the balance sheet is, as you will see, British Government securities aggregating over £8,400,000. This sum is represented almost entirely by securities with definite dates for redemption. Its proportion of our marketable securities is 38 per cent. This, of course, has the effect of keeping down the interest yield, but on the other hand it affords a measure of security which will, I think, be favourably regarded by our members. To counterbalance this we have a holding of £3,900,000 in ordinary

stocks and shares which have been carefully selected and yield a satisfactory return.

HOUSE PURCHASE SCHEME

Our house purchase scheme which we adopted a few years ago is making steady progress, and we have gradually extended the limits of our operations. Under the scheme we make advances on selected house property in the occupation of the borrower. Repayment of the loan is provided for by an endowment assurance policy. This plan has advantages over other methods of borrowing. At the end of the agreed period, twenty years or less, the borrower is in full possession of his property free from mortgage, while should he die earlier the property passes unburdened to his dependants. The premium payments for the endowment assurance qualify for income-tax relief, which appreciably reduces the cost of redemption. Premium and interest are payable by a banker's order, a procedure which is found to be of great convenience to the borrower. Our members are, of course, aware of the advantage the Institution has all along afforded to the young married man by its distinctive system of life assurance to which I have already referred, and we are glad to find now that the facilities afforded by our house purchase scheme are being taken advantage of to an increasing extent by those who desire to have a home of their own.

In the past quinquennium the Scottish Provident completed its hundredth year. In 1839, just about this time a little group gathered for the first annual meeting. The annual premiums were reported with satisfaction at £1,530, and the funds were stated to be sufficient to pay nine or ten claims. That was the beginning of a bold adventure. The position of the Institution to-day is sufficient evidence of its success, and I should like to emphasise that the distinctive system of the office is essentially the same as it was a hundred years ago and that we are still following the traditions of the founders.

The motion for the adoption of the report was seconded by Mr E. M. Wedderburn, LL.D., Deputy Keeper of His Majesty's Signet, and carried unanimously.

The directorate was thereafter constituted and Mr Francis More, C.A., was reappointed auditor.

BANCO DI ROMA

IMPRESSIVE FIGURES

The general meeting of the Banco di Roma was held, on the 21st inst, with Gr. Uff. Antonio Pesenti, Member of the National Council, in the chair. The managing director, Gr. Uff. Veroli, read the report, which, after summarising the principal international events of a political and economic nature of 1938, illustrates the further progress made by the Italian economic policy of self-sufficiency. After a detailed description of the gigantic work done by Italian labour and capital in the lands of the Empire, the activities of the bank in Italy, in foreign countries, in the Colonies and in the Empire are reviewed, and the various items in the balance sheet are examined.

A new branch has been opened at Padua, which will be followed by others at Bergamo, Udine and Verona. To the fourteen branches in Italian East Africa, two new branches have been added at Giggiga and Dire Dawa, which were opened in 1938.

The business of the bank during the past year is reflected in really impressive figures. For instance, deposits on current and savings accounts increase from Lire 1,261,327,288.72 (1937) to Lire 1,482,446,002.87, an increase of Lire 221,118,714.15; balances due to correspondents increase from Lire 2,796,285,837.12 (1937) to Lire 2,944,527,597.46, an increase of Lire 148,241,760.34; cash and funds with the Central Bank and with other banks in Italy and abroad increase from Lire 597,638,702.17 (1937) to Lire 666,481,214.56, an increase of Lire 68,842,512.39; portfolio, Treasury bills and sight funds increase from Lire 1,876,532,546.99 (1937) to Lire 2,107,963,292.47, an increase of Lire 231,430,745.48; balances due by correspondents from Lire 1,177,172,674.76 (1937) to Lire 1,198,546,247.72, an increase of Lire 21,373,572.96; secured advances increase from Lire 499,266,759.22 (1937) to Lire 564,095,793.01, an increase of Lire 64,829,033.79; finally, the general total of the balance sheet increases from Lire 8,470,715,545.33 (1937) to Lire 9,828,005,411.59, an increase of Lire 1,357,289,866.26.

The accounts are drawn up on an extremely conservative basis, and show a net profit of Lire 11,760,396.95 (against a profit of Lire 10,891,790.35 in 1937), and this permits of the payment of a dividend at the rate of 4 per cent.—the same as last year—and an allocation of Lire 1,176,039.69 to the ordinary reserve fund, which is thus increased to Lire 46,523,391.70, and a balance of Lire 2,290,347.34 is carried forward.

COUNTY OF LONDON ELECTRIC SUPPLY COMPANY, LIMITED

A YEAR OF GREAT PROGRESS

The forty-fifth ordinary general meeting of the County of London Electric Supply Company, Limited, was held, on the 21st instant, at River Plate House, London.

Sir Bernard E. Greenwell, Bt. (the chairman), in the course of his speech, said: In spite of the unusual circumstances of the year 1938 which operated against the prosperity of so many industrial concerns, we, in contrast, have before us figures of greatly increased growth of business, increased profits and reduced prices to our consumers. The increased output for the year was over 92 million units as compared with the previous year, and, although the Central Electricity Board took 33 million units less than in 1937, we have sold 125 million more units to our own consumers, or an increase of 10½ per cent.

The gross revenue—£5,273,792—shows an increase of some £511,000, while the increase in revenue from sale of current is over 10½ per cent. To net revenue we carry £2,723,000, an increase as compared with 1937 of over £345,000, and it is proposed to pay the usual dividend of 10½ per cent. During the year the company made reductions to consumers throughout the suburban and rural areas of the company, and now over 82 per cent. of our consumers on quarterly supply have adopted the two-part tariffs.

ENGINEERING ASPECTS

The Barking Station gave excellent and continuous service during the year, the plant being properly maintained, and there were no breakdowns calling for abnormal expenditure on repairs and maintenance. The installed capacity of the station now totals 462,500 kilowatts, and when the fourth 75,000 kw. turbo-generator is installed this year the total will be 537,500 kilowatts. The abnormal generated demand of some 451,000 kilowatts experienced during the cold spell before Christmas was handled satisfactorily.

Extensive construction works have been carried out during the year at Barking, and two of the four boiler units in course of erection were brought into service. The fourth 75,000 kw. turbo-generator and two further boiler units will be available for service before next winter. The extension of the distribution system during the year to meet the demand of new consumers, has involved the provision of 109 miles of high-tension lines, 410 miles of low-tension mains and the establishment of another 145 transforming stations.

Last December, with a view to providing funds to meet the large capital expenditures which your company and its subsidiaries required for further development, the board thought it should not put off the issue of more capital as, at that time—that is, the early part of December last—the future looked so uncertain. We applied, as we have to do under our 1925 Act, to the Electricity Commissioners for their approval as to the price and terms of issue and, as you know, we issued 1½ million ordinary shares at 43s. 6d. per share.

You will appreciate how much weather conditions vary the demand for our industry, in the same way as it does the gas industry, and, when coupled with the increased cost of coal, the result is that the majority of gas companies and a number of electricity undertakings have had to raise their prices to consumers; but our diversity stands us in good stead and not only have we a record of increased sales and revenue, but we have no need to increase the prices to our consumers.

SUPERANNUATION AND PENSION SCHEME

I want to deal briefly with the superannuation scheme which we have put into force in this and all our associated companies. We have always had a superannuation scheme for our electrical and technical staff, but we were convinced of the need for giving every employee not only fair wages and conditions, as we do, but also the security for old age, and we have introduced a contributory pension scheme, with which is incorporated a life assurance benefit, and it embraces every permanent employee.

I told you last year of our achievement in obtaining uniformity of charges throughout our respective urban, suburban and rural areas, and that uniformity, which involved reductions, will assist us in further development. We are maintaining our percentage of increased consumers and revenue on larger figures each year, and that, I think, is itself proof to our shareholders that the business is being run on a progressive basis. Our associated companies are conducted in the same way, and, in the aggregate their increase in output for the last year was 9 per cent. in units, and they attracted 13.6 per cent. more consumers.

The report and accounts were adopted.

NORTH-EASTERN ELECTRIC SUPPLY COMPANY, LIMITED

A GRATIFYING PROFIT

FURTHER REDUCTION IN CHARGES

MR R. P. SLOAN'S STATEMENT

The annual general meeting of the North-Eastern Electric Supply Company, Limited, was held, on the 22nd instant, at the Royal Station Hotel, Newcastle-upon-Tyne.

Mr. R. P. Sloan, the chairman of the company, who presided, in moving the adoption of the report and accounts, said: In the directors' report and statement of accounts, we have shown the number of units supplied by the company during the past year instead of giving the horse-power connected. We have thought it opportune to make this alteration in view of the fact that during the course of the past year we were able, for the first time, to commence our full trading with the Central Electricity Board under the terms of the Electricity (Supply) Act of 1926. Owing to the special conditions which prevailed while we were carrying out the change of frequency throughout our area—the work in connection with which, as you know, has occupied many years—it was not possible to reach this trading stage at an earlier date. To our own customers—that is excluding the Central Electricity Board—we sold 73,800,000 more units in 1938 than in 1937. We propose, in our future reports, to continue the practice of giving the units supplied.

As a matter of interest I may say that, had the present report stated the figure of new connections, it would have shown that the additional horse-power added during the past year exceeded that added during the year 1937 by over 9,000.

The profit for the year totalled £1,509,879 which exceeds that for the previous year by £99,078.

It is gratifying that the profit, the units supplied and the horse-power connected, during our fiftieth year, each establish a record in the history of the company. In view of the satisfactory trading results obtained last year, we are again making a reduction in our charges for electricity supply to certain classes of our customers.

After providing for allocations from profit, the balance remaining—together with the sum brought forward from the previous year—is £736,720, and after providing for the payment of dividend on the 7 per cent. and 5 per cent. preference stocks—the directors recommend a dividend at the rate of 7 per cent. for the year (less income tax) on the ordinary stock, and that the balance of £218,044 be carried forward.

FACILITIES AT OFFICES AND SHOWROOMS

You may have noted that, for the last twelve years, we have shown the sum of £20,000 against cost of office and showroom furniture, fixtures, &c. It may have surprised some of you that this figure has not been reduced from time to time during this long period. If a fair estimate of the present-day value of the items represented by this sum were to appear in our accounts, the figure shown would be very substantially increased.

We find that full advantage is taken of the facilities afforded to our customers at our showrooms of seeing and having explained to them the latest electric fittings, appliances, etc., for household purposes. In certain districts where, so far, we have not felt justified in establishing permanent showrooms, similar facilities are provided through the medium of travelling showrooms. These travelling showrooms are capable of accommodating some 50 persons, who are thus enabled to witness demonstrations and attend lectures given by members of our housecraft staff.

INCREASED NUMBER OF CUSTOMERS

Coming now to more general matters, I am pleased to be able to tell you that during the course of last year we secured 21,766 new customers, which is substantially in excess of the previous year's figure. This number—which is mainly represented by domestic customers—does not constitute a record, but is the second highest number we have reached in any year during the course of our history. Bearing in mind that our area of supply is—comparatively speaking—already highly electrified, I think you will agree that this increase and the increases during the immediately preceding years reflect credit on all concerned in obtaining this class of business.

In view of the progress we have made in the development of household supplies, I am glad to say that, in spite of continued increases in the cost of coal, we are making, as from the beginning of next quarter, further reductions in the charges to a large number of our lighting and domestic customers. These reductions will chiefly benefit the small householders who take their supplies through pre-payment meters. We are particularly glad to be able to make these concessions at a time when, on account of the increase in the cost of fuel, many public utility undertakings throughout the country have had to increase their tariffs. The reductions in charges to lighting and domestic customers which we have made during each of the years 1935 to 1938 have averaged some £50,000 per annum.

As regards our supplies to collieries, shipyards, engineering works and iron and steel works, the year 1938 proved to be satisfactory. The same may also be said in respect of our business with the lighter industries.

I stated, at the last general meeting, that a further 50,000 kilowatt turbo-alternator was being installed at Dunston "B" power station, together with additional boilers, etc. This turbo-alternator is now in commercial operation and the boilers will be ready in the near future. Work is also in hand to provide for the reconstruction of an existing turbo-alternator at our Dunston "A" power station, which—when completed—will enable the machine to give an output of 15,000 kilowatts to assist in meeting anticipated increased demands next winter.

While there has been and still is less activity in certain sections of the industries we serve, this has been more than offset by increased development elsewhere, as is evidenced by the figures I have put before you to-day.

THE NEW BATTLESHIP

The announcement that the battleship recently launched by His Majesty at Walker Naval Yard is to be followed by the construction of another and still larger vessel was very gratifying news. We welcome this on account of the benefit it will be to the district by giving employment to many thousands of workers, and also because electricity will play an important part in carrying out the work.

With the international situation such as it is, any forecast of the future is, of course, extremely difficult, but—as we have not yet felt the full benefit of the large amount of new business we have obtained in recent times, and as our sales of electricity since the commencement of the current year show a satisfactory increase—I regard the outlook for the present year, so far as we are concerned, with confidence.

DEVELOPMENT IN RURAL AREAS

When addressing you last time, I mentioned that we had carried out considerable extensions in the outlying rural areas, and I would like to add that, in 1938, we made appreciable further progress in that direction. It is perhaps as well that I should emphasise this because some statements have recently appeared in the Press inferring that the development of electrification in country districts has been neglected. There are many people who do not realise that commercially it is a much simpler problem to afford electricity supplies to some hundreds of customers along a route-mile of cable—as in cities—than to supply perhaps two or three customers only on a route-mile of cable in some country district. In spite of this great difference, however, we are, I consider, doing all we can—and with considerable success—to afford supplies of electricity in the more rural parts of our area. During the course of the twelve months under review, the number of new distribution centres we established in rural areas amounted to no less than 57, and we have in hand still further extensions into the sparsely populated localities. The number of farm premises, where supplies are now being taken from us, exceeds 1,000.

The report and accounts were adopted on the motion of Mr R. P. Sloan, seconded by Sir Cuthbert Headlam. The dividend resolution was passed and Mr H. W. F. Bolckow and Mr G. Stirling Newall were re-elected directors.

LANCASHIRE STEEL CORPORATION, LIMITED

INCREASED EARNINGS

The ninth ordinary general meeting of the Lancashire Steel Corporation, Limited, was held, on the 17th instant, at 34 Leadenhall Street, London.

Mr John E. James (chairman and managing director) said that earnings from operations for the year under review amounted to £855,560, an increase of £51,995. In view of the recession of trade experienced in the industry during at least the latter portion of 1938, he thought that the profit for the year would be regarded as satisfactory. After deducting certain reserves, including £175,000 for depreciation of plant and £100,000 for general reserve, the available net profit was £340,113. Provision was made for the preference dividends, and the board recommended a dividend of 7 per cent. on the "A" and "B" ordinary shares.

He commented on the consolidated statement of the Corporation and its subsidiaries, and pointed out that the depreciation and the general reserves of the group now amounted to £1,020,000 and £315,000 respectively. The surplus of liquid assets over current liabilities amounted to £1,252,978.

It was with pleasure that he informed them that their profits increased for the first time a dividend from their holding in the Wigan Coal Corporation, Limited.

Following the non-payment of an interim dividend by the Corporation during the past year, the board had given careful consideration to their future policy in that respect. Some branches of the steel industry were of a seasonal character, while the industry in general was liable to considerable fluctuations within comparatively short periods of time. In certain financial years, therefore, the distribution of interim ordinary dividends might prove to be misleading, and it seemed to the board to be in the best interests of all classes to discontinue the payment of such dividends, and they proposed to follow that policy.

A DIFFICULT YEAR

The past year in the steel industry had been one of considerable difficulty. Shareholders would remember that a year ago he had indicated that a distinct if slight recession of trade had been experienced in the latter part of 1937. That recession had become more pronounced during 1938, and at the close of that year production of steel had fallen considerably in comparison with the production obtained during its opening months.

The past few weeks, however, had shown signs of an improvement in demand. The requirements of the present emergency programme were responsible to a certain extent for that improvement, but its volume had been increased by demand of a commercial character, doubtless stimulated by the substantial reductions in prices which were made by the industry as from January 1, 1939. He would like to remind them, however, that no commensurate reduction had been made in the prices the industry was paying for its raw materials.

CURRENT OUTLOOK

The prospects of industrial recovery during the present year were, as all knew, closely associated with the international political situation, and until more stable conditions prevailed in Europe it seemed unlikely that the exchange of goods between nations would increase to any substantial extent.

The events of the past few days in Central Europe could not but have an unfortunate effect on the revival of international trade for which they had all hoped. This country's export trade, however, was of great importance to its people, and, despite the unpromising outlook, he felt strongly that every effort should be made to encourage it, whether the effort were that of individual concerns seeking outlets for their products or of industries endeavouring in a concerted fashion to meet the competition of other countries in world markets.

He was glad to observe that the Government was alive to the necessity for assisting these efforts in any manner which might be appropriate. It was also gratifying to note in that connection that the prolonged negotiations between the United States of America and our own Government in relation to a trade agreement were concluded in November last. The creation of freer trade relations between those two great countries might well, if circumstances were propitious, be the precursor of similar relations with other countries, and of a revival of international trade to the benefit of all.

He (the chairman) had been asked to become vice-chairman of Richard Thomas and Company, Limited, and had agreed, with the approval of the board, to accept that office.

The report was adopted.

LAW LAND COMPANY, LIMITED

SATISFACTORY RESULTS IN DIFFICULT YEAR

DIVIDEND MAINTAINED

The fifty-sixth annual general meeting of the Law Land Company, Limited, was held, on the 22nd instant, in London.

Mr M. E. F. Crealock (the chairman) said that the revenue for the past year was again higher than that of the previous year, in spite of the fact that no income had been received from the building in Kingsway sold during 1937. The satisfactory lettings in Brettenham House and Carrington House had not only made up for that shortage, but had resulted in an increase in the total rental received of approximately £2,400.

In spite of crises, lack of confidence in the future and higher taxation, their lettings had, on the whole, given them good grounds for satisfaction. Carrington House was proving itself to be a sound investment, and a valuable addition to their properties, and, with the widening and reconstruction of Curzon Street would improve still further. Brettenham House was fully let, with the exception of some of the shops, but the rents at which lettings had been completed were considerably below those anticipated.

By reason of the delays and disturbances connected with the rebuilding of Waterloo Bridge, they had suffered a serious loss of revenue from Brettenham House and Duchy House, and that must inevitably continue for some time. They were claiming compensation and, although no settlement had yet been reached, he was hoping to report favourably on that subject at their next meeting. Not one penny of the sum which they anticipated receiving had been included in the present accounts.

WATERLOO BRIDGE

He desired to say most emphatically that when that site was acquired they had had no knowledge of the intention to do more than recondition the old bridge. In arriving at the purchase price they had calculated that the rents which they could expect to receive would give a fair return on their outlay. Only in the case of their earlier lettings had they been able to obtain rents in accordance with the schedule on which they had based the price which they agreed to pay for the property. Since the announcement of the decision entirely to rebuild the bridge lettings had been delayed and rents obtained had been below those for which they had budgeted. It had been impossible to let parts of Duchy House and much of the shop space.

Although they looked for a gradually increasing income as the work neared completion, it would be quite untrue to say that the result of rebuilding the bridge would be an increase in the original value of the site. The work had undoubtedly temporarily depreciated it, and they could only hope that when order was restored the building would regain in value what it had lost by reason of the uncertainties, delays and disturbances.

NORFOLK ESTATE

They had acquired the existing leasehold interest in premises on the Norfolk Estate adjoining one of their buildings, consisting of certain shops in the Strand, and hoped to obtain a long lease of the entire block at the north-east corner of Arundel Street. Although it would probably be some time before they embarked on a rebuilding scheme, plans were in course of preparation for a large office building, and they hoped to retain the existing tenants of the shops. The proposed building was part of a contemplated programme extending over something like twenty years. In spite of the erection of blocks of offices in the West End, it was obvious that the company's particular district was remaining the chief business centre and must continue to hold that position.

As to the future, he had no fear regarding the maintenance of their revenue, but, with higher wages and costs, he doubted whether it would be wise to continue to divide their profits to quite as great an extent as in the past during the coming years. Their reserves were ample and the security of their invested capital was beyond question, but they must make provision for keeping their properties in first-class order and condition.

They had again added to their reserve for depreciation of flat properties; they had added nearly £11,000 to their leasehold redemption account. Properties had increased by £34,000, whereas mortgages and loans had increased by only £26,500. Debtors and cash were higher by approximately £7,500 and creditors were up by some £6,000, so that they would see that their strength had been well maintained.

In conclusion the chairman expressed the sincere thanks of himself and his fellow directors to the staff for their excellent work of the past year.

The report and accounts were unanimously adopted.

TELEPHONE AND GENERAL TRUST, LIMITED

CONTINUED PROGRESS

The 13th ordinary general meeting of Telephone and General Trust, Limited, was held, on the 22nd instant, at the Incorporated Accountants' Hall, Victoria Embankment, London.

Sir Alexander Roger (chairman and managing director), who presided, said that the profit for the year amounted to £112,534—an increase of £4,897—mainly owing to improved receipts from their telephone interests, together with the first beneficial effects of their issues of debenture stock. It was now proposed to pay a final dividend of 5 per cent. on the ordinary stock, making 8 per cent., and a dividend of 8 per cent. on the "A" ordinary stock.

Having dealt with the salient figures in the accounts and outlined the progress made in the principal interests of the company, the chairman referred to a question which, he said, was usually left to economists for discussion, but which was of immense importance to industry. When he recalled the complex disturbances, economic, financial, and, above all, political, through which they had passed in 1938, he was struck by the immense benefit that the trade and industry of the country had derived from the revolutionary change, over the past few years, in the principles and methods by which monetary conditions were directed and controlled.

In 1931, when there was a great outflow of funds and a heavy drain on the gold reserve, true to the principle and practice of the past—the principle that the gold parity of the currency must be defended at all costs—the Bank rate was raised to 6 per cent. and credit was restricted, with the result that industry and trade not only had to pay more for accommodation, but found credit more difficult to get. Business in many directions was gravely impaired, and not until several months after we had left the Gold Standard did monetary management afford relief from the stringency which had proved both futile and damaging.

PROGRESS IN PRINCIPLE AND PRACTICE

Since that time the progress made, both in principle and practice, had been remarkable. He would remind shareholders of what it meant to them. Last year was a year of alarms, arising from causes, both political and financial, which again originated beyond our own borders. Enormous amounts of funds were removed from London, and a gold outflow far surpassing in size anything recorded in previous financial history had taken place. But what had happened to our domestic monetary conditions? The answer was, quite literally, nothing. Bank rate remained at 2 per cent., and he doubted whether a single business man paid a penny more in interest on his credit from his bank, or found credit supplied to him any less readily in spite of the vast movements taking place in the money market.

The change thus indicated meant simply this: that it had been found possible, notwithstanding the undiminished sensitiveness of the London money market to external influences, to secure our domestic

SHORTER COMMENTS

(Continued from page 634)

and £294,695 to £765,834 and £284,621 respectively, while JOHN KNIGHT total earnings have declined rather significantly, from £239,088 to £191,836. The GODFREY PHILLIPS distribution is again 11½ per cent., though net profits are a little lower. Total profits of PROVINCIAL CINEMATOGRAPH THEATRES have risen by £9,648 to £516,350. RADIATION, LTD., in 1938 felt the full force of higher costs, which had been only partly operative in 1937. This factor and the general decline in trade involves a reduction in the dividend from 15 to 12½ per cent. WILLIAM HOLLINS AND COMPANY, whose board has been reconstituted, made trading profits in 1938 of £1,725, against £28,980. A draft of £30,000 upon general reserve has been made to meet interest, tax, fees and other expenses.

MISCELLANEOUS

John Dickinson and Company, Ltd.—Net profit for 1938, £287,014 (£369,290). Dividend and bonus reduced from 14 to 12½ per cent. To debenture redemption £8,570 (£8,028). To reserve £50,000 (£100,000). To contingency reserve £30,000 (£35,000). Carry forward reduced from £76,970 to £74,163.

Vauxhall Motors, Ltd.—Trading profit for 1938, £1,624,942 (£1,911,159). Income tax and N.D.C. £262,475 (£357,569). General depreciation £279,421 (£222,410). Maintenance charges £268,758 (£318,258). Written off special tools, etc., £228,150 (£100,775). Net profit £448,942 (£716,407). Ordinary dividend 20 per cent., against 30 per cent. plus a 50 per cent. scrip bonus. Carry forward raised from £796,251 to £996,175. A.R.P. expenses £18,244. A £100,000 A.R.P. scheme is to be carried out.

British Ropes, Ltd.—Gross profit for 1938, £385,224 (£391,189). Tax and N.D.C. £40,000 (£33,000). To depreciation, etc., £58,273 (£52,534). Net profit £238,057—a fall of £5,712—but 1937 figure was after £13,000 for staff superannuation. Ordinary dividend maintained at 25 per cent. To reserve £25,000 (£25,000). Carry forward raised from £89,509 to £111,310.

John Lewis and Company.—Trading profits for 1938, £313,300, a fall of £23,671. Tax absorbs £103,069 against £71,175. Net profits reduced from £182,718 to £167,348. Ordinary dividend reduced from 12 to 8 per cent. Carry forward raised from £6,093 to £22,711.

John Baker and Bessemer.—Profit for 1938, after depreciation and tax, £49,087 (£46,407). Provision for tax and N.D.C., £15,340 (£13,350); dividend of 10 per cent.,

industry and trade against the damaging effects which inevitably followed, under the old regime from wholly extraneous factors.

Now that the Gold Standard had been replaced by monetary management wise in conception and skilful in execution, they could go forward and make their plans in the confidence that to their many troubles and anxieties they need no longer add the risk of disturbance to our internal credit arrangements because of some violent upheaval in the world's money markets.

The report and accounts were unanimously adopted and a hearty vote of thanks to the chairman, directors, secretary and staff closed the meeting.

DAVIS AND TIMMINS, LIMITED

DIVIDEND OF 25 PER CENT.

The fortieth annual general meeting of Davis and Timmins, Limited, was held, on the 22nd instant, at Holborn Restaurant, London.

Mr F. Le Neve Foster (the chairman), who presided, said that at the meeting last year, when presenting record results, he had sounded a note of warning and had reported a falling off of orders in the first two months of the year compared with the corresponding period of the previous year. He had referred to the causes to which he believed the so-called recession in trade was attributable and had expressed the view that recovery was retarded by the general feeling of apprehension and uncertainty which even then prevailed. Unfortunately, as the year went on those tendencies had become emphasised and culminated in the crisis of September. As a result, in almost all sections of general trade there had been a substantial slowing up of business. It had been a year of anxiety in the home and difficulty in business.

Sales of stock screws continued remarkably firm, and the policy which they were still developing of widening the range and, by the adoption of more efficient production methods, reducing the cost and prices, was amply justifying itself. A particularly satisfactory feature had been the development of the lines of steel rolled threaded screws, and, in spite of severe competition, he was able to report a substantial increase of sales. They were widening the field of their activities in those lines, and he had little doubt that sales would be further increased during the coming year. In view of the increased activity in the aircraft industry, they were extending their interest in that market.

The net profit for the year was £37,035, as against £51,261 for the previous year. The proposed distribution, making up the dividend on the ordinary shares to a total of 25 per cent. for the year, was well within the amount of the net profit figure shown in the accounts, which was equivalent, after provision for the preference dividend, to approximately 36 per cent.

From trade indications the business prospects of the company for the current year looked more favourable than they had done when he last addressed the shareholders.

The report and accounts were unanimously adopted.

less tax, on ordinary shares (7½ per cent.); forward £31,061 (£26,240).

Sir William Arrol and Company.—Trading profit in 1938 rose from £138,376 to £161,994. To staff scheme £10,000. Ordinary dividend maintained at 15 per cent., but bonus is doubled at 10 per cent. After £50,000, against £51,750, to general reserve, balance forward is £29,121, against £26,584.

Baldwins, Ltd.—The report for 1938 shows a fall in profits from £808,547 to £658,054. Depreciation £100,000 (same, but in previous year £40,000 special depreciation in addition). Tax and N.D.C., £185,000 (£225,000). Net profits £306,146—a decline of £59,327. Ordinary dividend repeated at 10 per cent. Reserve receives £50,000, against £52,763; £43,541 forward, compared with £42,474.

Scottish Iron and Steel.—Profits for 1938 £129,606 (£221,336). Tax and N.D.C. £46,045 (£61,433). Depreciation £15,000 (£20,000). To reserve £15,000, compared with £100,000. Ordinary dividend maintained at 10 per cent.

Radiation, Ltd.—Profits for 1938, £277,831 (£327,682). Ordinary dividend maintained at 12½ per cent. but last year's 2½ per cent. bonus is not repeated. General reserve again receives £20,000; £137,167 forward, against £131,688.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in The Economist of May 28, 1938. The latest returns of the Bank of Portugal appeared in our issue of February 4th; Iran, of February 25th; Argentina and Egypt, of March 4th; Denmark, Australia, Bulgaria, Canada, Finland, Japan, Java, Jugoslavia, Norway, and Germany, of March 18th.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	Mar. 24, 1938	Feb. 23, 1939	Mar. 16, 1939	Mar. 23, 1939
Gold and silver on hand and due from Treas.	9,197	12,050	12,254	12,308
Total reserves	9,689	12,506	12,666	12,723
Total cash reserves	478	446	403	406
Total bills discounted	10	4	1	3
Bills in open market	5	1	1	1
Total bills on hand	10	5	4	4
Industrial advances	17	15	14	14
Total U.S. Govt. secs.	2,564	2,564	2,564	2,564
Total bills and secs.	2,591	2,584	2,582	2,582
Total resources	12,915	15,789	16,076	16,008
LIABILITIES				
F.R. notes in circula.	4,120	4,344	4,335	4,335
Aggregate of excess m. bank res. over reqts.	1,560	3,300	3,440	3,360
Deposits—Member bank reserve account	7,333	8,841	9,077	8,989
Govt. deposits	270	1,181	1,059	1,222
Total deposits	7,603	10,022	10,136	10,211
Cap. paid in and surplus	309	311	311	311
Total liabilities	12,915	15,789	16,076	16,008
Reserve to depts. and F.R. notes	80.5%	84.2%	84.3%	84.5%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock	12,781	14,818	14,983	15,075
Treasury and Nat. Bk. currency	2,674	2,821	2,832	2,834
LIABILITIES				
Money in circulation	6,325	6,708	6,751	6,758
Treasury cash and deposits with F.R. Bks.	3,815	3,933	3,771	3,965

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

	Mar. 24, 1938	Feb. 23, 1939	Mar. 16, 1939	Mar. 23, 1939
Total gold reserves	4010.5	5758.2	5661.0	5676.6
Total bills discounted	2	1	1	1
Total U.S. Govt. secs.	739.5	724.6	724.6	724.6
Total bills and secs.	741.5	725.7	725.7	725.7
Deposits—Member bank reserve account	3455.6	4805.7	4825.9	4825.4
Reserve to depts. and F.R. notes	85.9%	89.9%	89.8%	89.9%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Loans, total	8,933	8,233	8,190	8,186
Investments	12,298	13,209	13,416	13,408
Reserve with Federal Reserve banks	5,627	7,521	7,289	7,368
Due from domestic bks.	2,039	2,593	2,542	2,558
LIABILITIES				
Deposits: demand	14,381	16,048	16,094	15,965
Time	5,260	5,183	5,189	5,262
U.S. Government	673	631	630	634
Inter-bank	5,752	6,359	6,238	6,414

BANK OF FRANCE.—Million francs

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold*	55,807	87,266	87,266	87,266
Bills: Commercial	11,640	9,140	9,159	8,417
Bought abroad	805	726	726	726
Advances on securities	3,718	3,388	3,371	3,340
Thirty-day advances	1,097	210	268	166
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	35,354	20,627	20,627	20,627
Negotiable bonds	5,575	5,470	5,470	5,470
Sinking Fund Depts.	4,025	4,177	4,361	4,461
LIABILITIES				
Notes in circulation	94,164	110,785	113,886	113,415
Deposits: Public	2,175	5,238	5,109	5,412
Private	21,342	21,987	19,105	18,786
Other liabilities	3,541	2,994	3,148	2,862
Gold to sight liabilities	47.4%	63.2%	63.1%	63.4%

NATIONAL BANK OF BELGIUM

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold	3,247	3,469	3,192	3,118
Silver and other coins	55	55	52	55
Foreign exchange, etc.	1,089	922	759	767
Bills and securities	572	550	663	673
Advances	34	33	86	68
LIABILITIES				
Notes in circulation	4,385	4,419	4,332	4,271
Deposits: Govt.	46	34	24	17
Other	481	487	307	303

NATIONAL BANK OF CZECHO-SLOVAKIA.—Million Cz. kr.

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold	2,648	2,360	2,362	2,362
Gold against gold liab.	...	336	...	...
Balances abroad and foreign currencies	499	1,156	1,106	1,052
Discounts and advances	1,692	3,030	2,788	2,921
LIABILITIES				
Bank notes in circula.	5,980	6,918	6,989	6,964
Deposits	522	504	367	454

BANK OF DANZIG

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold coin and bullion	28.37	26.41	26.01	25.62
Danzig subd. coin	3.90	3.59	3.12	3.47
Balances abroad and foreign bills	3.72	2.89	3.02	2.24
Discounts	12.71	22.80	23.77	22.80
LIABILITIES				
Notes in circulation	30.73	35.77	39.30	36.09
Deposits on demand	16.60	15.94	15.73	18.89

BANK OF ESTONIA

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold coin & gold bullion	34.22	34.31	34.31	34.31
Net foreign exchange	17.31	16.10	15.02	16.30
Home bills discounted	11.51	11.21	11.68	11.36
Loans and advances	13.51	14.40	12.00	14.15
LIABILITIES				
Notes in circulation	50.77	50.60	52.13	52.47
Sight dep. and current accounts, of which:				
(a) Government	19.29	17.04	15.56	15.52
(b) Bankers	12.60	17.55	13.03	15.83
Reserve to current liabilities	60.3%	57.5%	59.1%	58.6%

BANK OF GREECE.—Million drachmae

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold and gold exchange	3,585	3,873	3,853	3,857
State sec. in for. curr.	7.5	1.13	1.15	1.15
Bills discounted	602	717	732	762
Advances	5,309	7,940	7,690	7,667
State debt	3,872	4,184	4,182	4,182
LIABILITIES				
Notes in circulation	6,400	6,683	6,592	6,591
Dep. and current acc.	6,498	9,748	9,708	9,817
Foreign exch. liabilities	212	255	198	257

NATIONAL BANK OF HUNGARY

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Metal reserve:				
Gold coin and bullion	84.1	124.1	124.1	124.1
Foreign exchange	62.8	92.0	86.9	86.9
Int. bills, wts., & secs.	423.6	428.8	437.9	428.1
Advances to Treasury:				
Long term	118.7	192.8	200.0	200.0
Czech-Kr. exch.	7.5	76.4	76.2	76.0
LIABILITIES				
Notes in circulation	488.2	772.9	786.0	762.6
Current accounts, and sight liab.	264.2	204.3	196.7	212.4
Cash certificates	69.7	99.0	99.0	99.0

BANK OF LATVIA

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold coin and bullion	77.56	92.75	92.76	92.78
Silver coin	13.94	12.77	12.56	12.58
Foreign currency	45.48	41.91	45.22	44.06
Treas. notes and change	7.5	10.85	9.38	9.73
Short-term bills	46.52	46.24	46.17	46.08
Loans against securities	80.47	102.14	104.83	104.38
LIABILITIES				
Notes in circulation	64.95	76.94	79.49	78.98
Deposits & current accs.	121.54	151.56	147.92	148.29
Government accounts	72.22	68.92	70.04	71.28

BANK OF LITHUANIA.—Million litas

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold	1938	1939	1939	1939
Silver and other coins	79.11	63.56	63.23	63.23
Discounts	14.10	17.07	16.82	16.62
Advances	96.48	95.69	95.03	93.98
LIABILITIES				
Notes in circulation	17.01	20.51	20.53	20.55
Bank notes in circula.	114.81	140.34	142.41	139.63
Current accounts	73.33	48.26	45.97	45.93
Deposits	20.56	10.97	8.00	12.39

NETHERLANDS BANK

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold	1938	1939	1939	1939
Silver	14.7	27.6	25.4	25.4
Home bills, etc.	9.0	8.5	7.3	8.5
Foreign bills	5.2	2.2	2.7	2.7
Loans and advances in current account	298.7	290.2	239.6	215.4
LIABILITIES				
Notes in circulation	888.4	966.7	973.0	973.2
Deposits: (a) Govt.	102.4	162.8	93.2	64.3
(b) Other	820.3	681.7	639.9	620.0

RESERVE BANK OF INDIA

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold coin and bullion	444	444	444	444
Rupee coin	629	698	699	702
Balances abroad	788	568	595	595
Sterling securities	274	323	323	323
Indian Govt. rupee securities	64	66	69	69
LIABILITIES				
Notes in circ.: India	1,817	1,820	1,816	1,816
Burma	81	102	118	117
Deposits: Govts.	133	132	138	110
Banks	135	117	116	117
Gold and sterling liabilities	57.7%	49.9%	50.4%	50.4%

RESERVE BANK OF NEW ZEALAND

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold	1938	1939	1939	1939
Sterling exchange	16.62	4.16	4.71	4.59
Advances to State	6.67	16.60	20.02	19.98
Investments	2.97	3.65	3.65	3.65
LIABILITIES				
Bank notes	13.57	15.11	14.81	14.80
Demand liab.: State	7.86	3.50	6.00	5.49
Banks and others	5.54	9.12	9.04	9.18
Reserve to sight liab.	72.0%	25.1%	25.0%	25.0%

BANK OF POLAND

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold	1938	1939	1939	1939
For. exch. and balances	437.6	446.5	446.8	446.9
Bills discounted	22.7	17.1	16.9	14.5
Loans against securities	558.9	727.9	756.4	763.3
Treas. bills discounted	16.9	64.4	69.1	56.7
Securities	125.8	132.8	132.2	132.2
LIABILITIES				
Notes in circulation	986.8	1325.3	1354.1	1315.6
Sight liabilities: Govt.	54.3	12.5	17.4	26.5
Others	262.8	212.2	216.0	241.1

NATIONAL BANK OF ROUMANIA

ASSETS	Jan. 1939	Feb. 1939	Mar. 1939	Mar. 1939
Gold and gold exchange	18,191	18,270	18,309	18,309
Clearing and other for. exchange	1,315	1,247	1,193	1,172
Commercial bills	11,280	10,775	10,543	10,486
Agric. & urban advcs.	1,775	1,748	1,695	1,693
Treasury bills issued	4,693	4,702	4,731	4,732
State debt and adv. to Treasury	5,589	5,589	5,589	5,589
Secs. and participatns.	2,175	2,175	2,172	1,630
LIABILITIES				
Notes in circulation	34,646	34,285	33,963	34,266
Other sight liabilities	13,789	13,566	13,814	13,386
Long-term liabilities	3,535	3,715	3,821	3,797

SOUTH AFRICAN RESERVE BANK

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold coin and bullion	22.60	26.74	26.57	26.57
Bills discounted	7.11	6.90	7.00	7.90
Invest. & other assets	12.38	15.39	15.39	14.80
LIABILITIES				
Notes in circulation	15.28	16.44	16.99	16.28
Deposits: Government	3.06	2.38	6.57	7.23
Banks	18.20	24.73	20.51	20.27
Others	2.68	3.07	1.74	2.13
Cash reserves to liabilities to public	58.7%	57.0%	58.5%	58.0%

BANK OF SWEDEN.—Million kronor

ASSETS	Mar. 1938	Feb. 1939	Mar. 1939	Mar. 1939
Gold reserve	473.8	594.7	595.5	595.9

EXCHANGE RATES—cont.

NEW YORK

New York on	Mar. 16, 1939	Mar. 17, 1939	Mar. 18, 1939	Mar. 20, 1939	Mar. 21, 1939	Mar. 22, 1939
London:—						
60 days	467.32	467.32	467.32	467.32	467.32	467.32
Cables	468.18	468.18	468.18	468.18	468.18	468.18
Demand	468.18	468.18	468.18	468.18	468.18	468.18
Paris, Fr.	2.64 1/8	2.64 1/8	2.64 1/8	2.64 1/8	2.64 1/8	2.64 1/8
Brussels, Bel.	2.64 1/8	2.64 1/8	2.64 1/8	2.64 1/8	2.64 1/8	2.64 1/8
Switzerland, Fr.	2.64 1/8	2.64 1/8	2.64 1/8	2.64 1/8	2.64 1/8	2.64 1/8
Italy, Lira	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4
Berlin, Mark	40.13	40.13	40.13	40.13	40.13	40.13
Amsterdam, Guilder	53.08	53.08	53.08	53.08	53.08	53.08
Copenhagen, Kr.	20.91	20.91	20.91	20.91	20.91	20.91
Oslo, Kr.	23.54	23.54	23.54	23.54	23.54	23.54
Stockholm, Kr.	24.12	24.12	24.12	24.12	24.12	24.12
Athens, Dr.	0.86 1/8	0.86	0.86	0.86	0.86	0.86
Montreal, Can. \$	99.560	99.500	99.375	99.375	99.460	99.500
Yokohama, Yen	27.33	27.31	27.31	27.32	27.32	27.32
Shanghai, \$	16.25	16.20	16.20	16.20	16.20	16.20
B. Aires, Peso	29.05	29.04	29.04	29.04	29.05	29.05
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 March 23, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
S. Rhodesia	98,960	£	Channel Islands	8,992	£
British E. Africa	49,065	...	Palestine	2,536	...
British India	115,943	...	Canada	77,224	...
Soviet Union	1,200,993	...	Netherlands	97,383	...
Netherlands	190,624	106,356	France	2,525	15,763
Switzerland	47,421	78,336	Switzerland	10,464	7,156
Egypt	15,268	523,750	United States	14,701,408	...
Total*	1,774,728	816,495	Total*	14,801,924	123,809
SILVER					
Australia	9,096	4,500	N. Rhodesia	...	3,876
Germany	6,051	...	S. Rhodesia	...	18,089
Belgium	13,983	...	Sweden	1,700	...
France	25,090	78	Norway	969	...
Portugal	103,397	5,598	Denmark	3,485	...
United States	...	...	United States	62,700	...
Total*	157,887	18,055	Total	70,235	22,040

* Including other countries.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Mar. 19 (£'000)				Aggregate Gross Receipts 11 weeks (£'000)			
	Passenger	Merchandise	Coal & Coke	Total	Passenger	Merchandise	Coal & Coke	Total
L.M. & S.—								
1938	405	513	281	799	4,304	5,347	3,391	8,738
1939	398	483	287	770	4,211	4,782	3,331	8,113
L. & N.E. (a)—								
1938	266	359	262	627	2,857	3,785	3,082	6,867
1939	269	331	257	588	2,807	3,322	2,918	6,240
Great Western—								
1938	170	209	120	329	1,804	2,187	1,407	3,594
1939	167	205	117	322	1,786	2,042	1,281	3,323
Southern—								
1938	271	66	36	102	3,273	658	419	1,077
1939	261	61	34	95	3,562	613	404	1,017
Total—								
1938	1,112	1,147	699	1,846	11,838	11,977	8,299	20,276
1939	1,095	1,080	695	1,775	11,661	10,759	7,934	18,934

(a) Week ended Mar. 18.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross decrease, first half 1938, over first half 1937	— 780	— 638	— 318	— 105
Gross decrease, second half 1938, over second half 1937	— 2,423	— 1,812	— 926	— 54
Gross decrease, first half 1939, over first half 1938:—				
11 weeks to Mar. 19, 1939 ...	— 718	— 677	— 289	— 76
Weekly Figures				
Av. weekly decrease, 1st half 1939	— 65.27	— 61.54	— 26.27	— 6.91
Latest week compared with 1938:—	— 31	— 30	— 10	— 17
Latest week compared with average 1927–30	— 231	— 193	— 79	— 27

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended March 17, 1939 (£'000)			Aggregate Gross Receipts 11 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1.7	0.4	2.1	18.2	4.8	23.0
1939	1.6	0.5	2.1	18.2	4.7	22.9
Great Northern—						
1938	9.8	9.7	19.5	89.0	94.3	183.3
1939	10.8	10.5	21.3	91.6	104.4	196.0
Great Southern—						
1938	30.4	35.1	65.5	307.9	448.4	756.3
1939	30.9	37.1	68.0	305.8	441.2	747.0

SHORTER COMMENTS

(continued from page 649)

Automatic Telephone and Electric Company.—Net trading profit for 1938, £265,896 (£209,242). To depreciation and fees £63,822 (£60,818). Ordinary and deferred dividend 10 per cent., as before, but for 1938 a bonus of 2½ per cent. is also paid. To reserve £10,000. Carry forward raised from £105,632 to £153,159.

Craven Brothers (Manchester), Ltd.—Trading profits 1938, after expenses, tax and N.D.C. £110,824 (£86,808). To depreciation £10,000 (£10,000). Net profit £100,653 (£76,173). Ordinary dividend raised from 15 to 22½ per cent. Carry forward raised from £26,515 to £59,668.

Lancashire Dynamo and Crypto.—Profit for 1938, £155,728 (£145,213); total income £155,806 (£145,334). To depreciation £11,647 (£11,364); net profit £143,451 (£133,270). Dividend of 15 per cent. and bonus of 10 per cent., making 25 per cent. less tax (same); to staff pensions £1,750 (£1,250); to N.D.C. £8,000 (£5,000).

Joseph Crossfield and Sons.—Profit for 1938, £765,834 (£797,068); dividend ordinary of 35 per cent. (40 per cent.) forward £133,555 (£120,221).

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefce. Amount	Ordinary Amount	Rate				
Banks		£	£	£	£	£	%	£	£	£	%
Bank of Australasia	Oct. 10	205,830	310,050	515,880	...	288,000	8	...	227,880	309,501	8
Chartered Bank of India, etc.	Dec. 31	178,785	335,309	514,094	...	300,000	10	35,000	179,094	491,065	14
Breweries											
Courage and Company	Dec. 31	111,258	349,550	460,808	38,781	225,000	18	85,744	111,283	397,106	20
Dartford Brewery	Dec. 31	39,563	78,293	117,856	5,832	16,349	11	53,562	42,113	79,103	11
Style and Winch	Dec. 31	100,736	179,680	280,416	21,896	54,375	10½	106,449	97,696	198,964	15
Canal and Docks											
Grand Union Canal	Dec. 31	7,586	12,209	19,795	...	...	...	11,017	8,778	13,520	Nil
Electric Lighting, etc.											
Bournemouth and Poole Elec.	Dec. 31	16,537	155,385	171,922	10,722	81,103	15	65,249	14,848	172,647	15
Electrical Distribution of											
Yorkshire	Dec. 31	58,168	251,745	309,913	52,200	97,875	9	100,000	59,838	251,476	9
Isle of Thanet Electric	Dec. 31	3,117	30,260	33,377	16,920	6,000	4	7,008	3,449	30,047	4
Mid-Cheshire Electricity ...	Dec. 31	5,478	62,670	68,148	16,311	23,511	8	21,400	6,926	41,376	8
Midland Electric Corp.	Dec. 31	49,048	116,232	165,280	10,076	60,900	9	44,102	50,202	108,374	9
Richmond (Surrey) Electric.	Dec. 31	2,069	33,637	35,706	...	21,700	7	12,057	1,949	33,662	7
South Met. Electric	Dec. 31	43,516	224,927	268,443	21,199	69,750	9	130,056	47,438	198,802	9
Financial Land, etc.											
City Offices Company	Dec. 31	3,501	21,208	24,709	1,299	16,891	8	4,000	2,519	23,925	10
Earls Court, Ltd.	Sept. 30	Dr. 30,680	Dr. 90,703	Dr. 121,383	...	...	...	...	Dr. 121,383	2,949	Nil
Ellis & Sons Properties	Dec. 31	1,386	5,164	6,550	...	...	...	4,036	2,514	4,724	Nil
Java Investment, Loan, etc.	Dec. 31	13,284	22,110	35,394	...	14,500	5	10,000	10,894	34,213	7½
Lewis (John) Properties ...	Jan. 31	3,375	145,543	148,918	42,408	84,825	18	13,500	8,185	86,950	11
Olds Discount Co.	Dec. 31	10,875	22,923	33,798	7,000	13,750	13½	2,500	10,548	26,517	13½
Gas											
British Gas Light	Dec. 31	81,028	80,754	161,782	27,091	46,490	7½	10,000	78,201	86,216	7½
Dover Gas	Dec. 31	9,044	6,823	15,867	...	10,412	8½	3,132	3,323	7,761	8½
Iron, Coal and Steel											
Arrol (Sir William) and Co.	Dec. 31	26,584	106,494	133,078	21,446	21,511	25	61,000	29,121	106,376	20
Baker (John) and Bessemer	Dec. 31	26,240	33,747	59,987	10,949	17,977	10	...	31,061	33,057	7½
Baldwins, Ltd.	Dec. 31	42,474	406,145	448,619	74,210	180,868	10	150,000	43,541	505,473	10
Beardmore (William) and Co.	Dec. 31	...	296,365	296,365	17,124	24,106	3½	160,000	95,135	145,619	Nil
Blaenavon Company	Dec. 31	40	9,470	9,510	3,000	...	...	6,470	40	17,860	Nil
Cammell Laird and Co.	Dec. 31	35,109	310,523	345,632	...	128,687	10	156,616	60,329	278,029	8½
English Steel Corporation	Dec. 31	73,104	863,257	936,361	113,116	226,224	20½	521,223	75,798	849,809	20½
Firth (Thos.) & Brown (John)	Dec. 31	97,366	665,056	762,422	47,400	271,250	17½	300,000	143,772	637,682	17½
Guest Keen Baldwins	Dec. 31	81,060	564,258	645,318	56,626	133,219	5	380,670	74,803	662,785	5
Hadfields, Ltd.	Dec. 31	291,300	278,405	569,705	9,788	175,883	22½	...	384,034	269,040	22½
Macellan (P. & W.)	Dec. 31	Dr. 99,862	40,681	Dr. 59,181	...	...	...	10,000	Dr. 69,181	70,842	Nil
Millom and Askam Iron ...	Dec. 31	42,340	115,215	157,555	27,362	29,243	10	70,000	30,950	152,704	10
North British Locomotive...	Dec. 31	Dr. 111,833	63,137	Dr. 48,696	...	...	...	...	Dr. 48,696	1,946	Nil
Nunnery Colliery	Dec. 31	19,232	58,522	77,754	5,688	18,980	8½	33,500	19,586	79,461	12
Projectile and Engineering...	Dec. 31	32,348	136,322	168,670	...	67,500	22½	66,030	35,140	137,737	20
Scottish Iron and Steel	Dec. 31	15,772	83,561	99,333	13,050	34,800	10	30,000	21,483	159,903	10
United Collieries	Dec. 31	6,862	44,822	51,684	...	...	...	37,278	14,406	37,373	Nil
Vickers-Armstrongs	Dec. 31	120,259	1,679,795	1,800,054	109,619	...	...	575,000	128,863	1,317,540	Nil
Vickers, Ltd.	Dec. 31	237,534	1,398,852	1,636,386	418,190	446,436	10	450,000	321,760	1,351,056	10
Motor, Cycle and Aviation											
Vauxhall Motors	Dec. 31	796,251	1,296,813	2,093,064	13,275	217,500	20	866,115	996,174	1,492,820	30½
Rubber											
Batu Tiga (Selangor)	Dec. 31	11,296	13,424	24,720	...	11,530	5	1,000	12,190	45,449	17½
Langkat Sumatra	Dec. 31	1,732	6,322	8,054	...	3,124	4-16	3,250	1,680	10,374	8½
Marudv Consolidated	Dec. 31	466	2,854	3,320	1,050	1,185	4	500	585	5,302	4
Mengkibol (Central Johore)..	Dec. 31	4,260	6,315	10,575	668	3,646	2½	1,703	4,558	16,978	10
Muar River	Dec. 31	3,693	5,227	8,920	...	2,610	1½	3,000	3,310	17,470	6½
North Malay	Dec. 31	4,065	20,182	24,247	...	16,300	5	3,000	4,947	40,332	10
Poonmudi	Dec. 31	478	7,540	8,018	...	4,912	5	2,000	106	9,538	7½
Pullangode	Dec. 31	891	1,914	2,805	...	1,875	5	...	930	4,452	6
Yataderia	Dec. 31	3,446	8,152	11,598	...	7,000	5	...	4,598	15,780	6
Shops and Stores											
Bradleys (Chepstow Place)	Jan. 14	121,608	35,010	156,618	16,500	20,000	5	...	120,118	68,768	10
Bright and Colson	Jan. 31	9,457	27,335	36,792	15,750	5,500	5	6,000	9,542	31,105	7
Lewis (John) & Co.	Jan. 31	28,820	223,039	251,859	92,437	52,200	8	55,691	51,531	214,652	12
Maple and Company	Jan. 31	23,959	156,585	180,544	60,000	91,000	5	6,196	23,348	200,272	7½
Wallis (Thomas)	Jan. 31	3,396	8,430	11,826	...	...	...	4,486	7,340	7,978	Nil
Wests and Moultons	Jan. 31	2,883	22,239	25,122	...	19,687	17½	2,539	2,896	23,896	17½
Tea											
Battalgalla Estate	Dec. 31	1,251	4,979	6,230	...	3,375	7½	457	2,398	5,072	10
Dimbula Valley	Dec. 31	840	14,171	15,011	3,784	9,200	5	1,000	1,027	21,293	7½
Travancore	Sept. 30	5,211	23,601	28,812	5,823	10,650	10	7,300	5,039	32,163	16
Telegraphs & Telephones											
Automatic Telephone	Dec. 31	105,632	264,246	369,878	14,000	130,547	12½	72,172	153,159	207,163	10
Textiles											
Hirst (Geo. H.) and Co.	Dec. 31	2,697	5,934	8,631	...	...	...	4,093	4,538	5,167	Nil
Hollins (William) & Co. ...	Dec. 31	20,706	Dr. 46,691	Dr. 25,985	...	...	...	Dr. 30,000	4,015	14,917	Nil
United Turkey Red	Dec. 31	1,528	Dr. 109,749	Dr. 108,221	...	...	...	Dr. 11,500	Dr. 96,721	Dr. 88,558	Nil
Tramways											
Dublin United Tramways...	Dec. 31	13,095	83,985	97,080	27,900	15,345	3	40,000	13,835	78,468	3
Trusts											
City National Investment ...	Feb. 28	5,547	9,478	15,025	...	7,323	6½	2,000	5,702	10,646	6½
Investors Trust	Feb. 28	27,004	20,219	47,223	13,594	5,438	2	...	28,191	21,979	2
London Scottish Investment	Feb. 28	3,771	(w) 30,520	34,291	14,028	8,494	5½	3,500	8,269	(a) 2	(a)
Municipal Trust	Feb. 28	13,670	15,481	29,151	15,932	...	...	...	13,219	19,307	Nil
Other Companies											
Asstd. Coal Distribution ...	Dec. 31	1,562	10,901	12,463	...	10,875	5	...	1,588	10,668	5
Associated Electrical	Dec. 31	220,015	894,242	1,114,257	75,843	356,833	10	429,934	251,647	909,249	22½(y)
Associated Portland Cement	Dec. 31	205,893	1,504,068	1,709,961	137,500	800,000	20	563,762	208,699	1,434,767	22½(y)
Rhoba Colour Works	Dec. 31	7,541	23,454	30,995	6,000	13,125	17½	5,000	6,870	27,191	17½

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 G.N.Z. (e) Allowing for exchange. (f) Flat yield. (g) Yield worked on 4% basis. (h) Yield on 4½% basis. (i) Based on payment of 2½%. (j) To redemption. (k) Redemption, year shown. (l) Yield worked on 5% basis. (m) Yield on 5½% basis. (n) Yield worked on 10% basis. (o) Yield worked on a 5½% basis. (p) Yield worked on 10% basis. (q) Yield based on 10% coupon. (r) Free of Income Tax. (s) Yield based on 4½% coupon. (t) Yield based on 4½% coupon. (u) Yield based on 4½% coupon. (v) Yield based on 4½% coupon. (w) Yield based on 4½% coupon. (x) Yield based on 4½% coupon. (y) Yield based on 4½% coupon. (z) Yield based on 4½% coupon.

(m) Including bonus of 5% free of tax. (p) Allowance for exchange. (e) Allowing for rate of exchange.

THE WEEK'S COMPANY RESULTS—continued.

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Pref. Amount	Ordinary Amount	Rate				
Other Companies—cont.		£	£	£	£	£	%	£	£	£	%
British Aluminium Co.	Dec. 31	101,424	657,670	759,094	90,000	375,000	12½	150,000	144,094	538,182	12½
British Automatic Co.	Dec. 31	7,352	50,368	57,720	...	16,000	4½	34,181	7,539	48,309	4
British Insulated Cables.....	Dec. 31	446,992	753,468	1,200,460	57,500	400,000	20	256,402	486,558	766,632	20
British Ropes	Dec. 31	89,508	305,601	395,109	81,726	109,530	25	92,543	111,310	318,165	25
Canning Town Glass	Dec. 31	10,288	44,226	54,514	...	26,905	7½	17,000	10,609	48,525	7½
Clapton Stadium	Dec. 31	21,778	63,059	84,837	...	54,574	25	10,000	20,263	72,422	35
Cooper, McDougall, etc.	Dec. 31	44,446	102,314	146,760	52,323	41,220	5	11,063	42,154	159,596	9
Craven Brothers (Manchester)	Dec. 31	26,515	100,653	127,168	...	67,500	22½	...	59,668	76,173	15
Crosfield (Joseph) and Sons	Dec. 31	120,221	765,834	886,055	227,500	525,000	35	...	133,555	797,068	40
Dickinson (John) & Co.	Dec. 31	76,970	287,013	363,983	20,000	181,250	12½	88,570	74,163	369,290	14
Dundee Floorcloth, etc.	Jan. 31	1,118	7,539	8,657	1,392	2,680	4	2,870	1,715	6,687	4
Dwyer and Company.....	Jan. 31	20,068	11,635	31,703	2,559	6,875	12½	2,000	20,269	13,932	12½
Erith & Co.	Dec. 31	42,849	25,650	68,499	...	13,910	17½	1,430	53,159	25,915	17
Gaskell and Chambers	Dec. 31	17,695	41,376	59,071	1,320	18,098	20	18,977	20,676	43,937	20
Gossage (William) and Sons	Dec. 31	58,397	284,621	343,018	71,250	210,000	30	...	61,768	294,695	30
G.R.A. (Manchester)	Dec. 31	11,025	56,268	67,293	17,656	26,266	40	10,000	13,371	(a)	(a)
Inns and Company	Dec. 31	4,920	80,057	84,977	15,312	27,188	15	30,726	11,751	71,502	15
Kellner-Partington Paper.....	Dec. 31	2,061	143,705	145,766	30,000	54,618	6½	59,311	1,837	194,699	7½
Knight (John)	Dec. 31	135,810	191,836	327,646	125,000	90,000	30	...	112,646	239,088	40
Lancashire Dynamo, etc.	Dec. 31	66,561	135,459	202,020	3,300	99,025	25	6,750	92,945	128,270	25
Limmer, etc., Lake Asphalt	Dec. 31	57,321	114,263	171,584	...	77,113	14½	40,000	54,471	111,825	14
Maidenhead Brick, etc.	Sept. 30	17,843	14,404	32,247	13,106	1,201	12½	...	17,940	22,528	33
McMichael Radio	Dec. 31	293	Dr. 27,761	Dr. 27,468	...	...	...	Dr. 27,468	17,703	17,703	Ni
Page's, Limited	Dec. 31	835	25,375	26,210	...	...	...	21,471	4,739	37,181	20
Pears (A. & F.)	Dec. 31	28,051	91,302	119,353	50,400	40,000	20	...	28,953	80,925	15
Phillips (Godfrey)	Dec. 31	79,711	217,450	297,161	52,500	119,540	11½	40,659	84,462	224,034	11
Prov. Cinematograph	Jan. 31	121,149	467,750	588,899	240,000	112,500	22½	116,140	120,259	462,022	22
Radiation	Dec. 31	131,689	277,831	409,528	47,308	205,044	12½	20,000	137,168	327,682	15
Rose (L.) and Company.....	Dec. 31	10,563	45,787	56,350	10,500	20,110	62½	13,760	11,980	46,656	62
Smart Brothers	Dec. 31	45,097	121,445	166,542	30,812	31,473	7½	56,965	47,292	148,659	10
South Shields Greyhound...	Dec. 31	336	6,772	7,108	...	5,750	10	1,000	358	7,041	10
Stephens (Henry C.).....	Dec. 31	12,230	50,198	62,428	14,000	28,275	6	7,900	12,253	65,739	8
Tarmac Ltd.	Dec. 31	38,277	120,467	158,744	11,000	49,394	10	59,801	38,549	100,925	7
Tizer Limited	Dec. 31	10,413	43,450	53,863	...	32,625	22½	10,000	11,238	44,197	22
Totalisators, Ltd.	Dec. 31	2,374	31,736	34,110	21,545	4,307	118-8	5,000	3,258	26,750	115
United Carlo Gatti, etc.	Dec. 31	26,210	20,020	46,230	...	21,000	14	...	25,230	28,947	15
Watford Electric and Mfg....	Dec. 31	7,767	17,806	25,573	3,000	7,500	15	500	14,573	18,294	15
Winterbottom Book Cloth	Dec. 31	84,766	194,092	278,858	69,428	86,835	8	50,000	72,595	275,726	10
Wiseman (M.) and Co.	Dec. 31	3,140	28,540	31,680	...	19,378	14	6,000	6,302	27,698	14
Total Profits, 1938, in £'000's:											
To March 18	No. of Cos.	495	22,643	65,363	88,006	11,417	38,839	...	14,258	23,492	72,068
To March 25		602	27,730	84,699	112,429	15,445	46,462	...	21,221	29,301	91,883

† Free of income tax. (a) No comparable figure. (f) Absorbed £62,886. (e) Absorbed £225,000. (v) Absorbed £267,916
(w) Fourteen months. (y) Absorbed £787,500.

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	%	%	%	%	Bowles (John), etc.	%	%	%	%	Tat. & Agency (Australia)	%	%	%	%
Dominion Bank	3½b	...	May 1	...	Cannock Collieries	3½	...	31½*	...	United Prem. Oil	7½	2½	April 12	...
INSURANCE					Colonial Gas	3½	...	3½*	...	Venesta	4*	...	May 8	...
Eagle Star Insance.	7½*	...	April 1	7½*	Conway Stewart	11½	15	...	15	West (Allen)	...	10	...	...
Legal and General	£30†	...	July 1	£30†	Cooper McDougall	2½†	5	...	5	West Glos. Pwr.	...	2½	...	...
TEA & RUBBER					Coventry Machine	...	...	...	...	Wickens Pease & Co.	5†	10	...	...
Anglo-Malay Rubber	...	2	...	4	Dunlop Rubber	...	9	...	9	Woodhead's Brewery	...	10	...	...
Cluny Rubber	...	4	Apr. 27	10	Edinburgh Investmt.	7†	10	...	10	UNIT TRUSTS				
Golconda Rubber	3†	5	May 10	9	Ford (Belgium)	...	12½	...	25	Amalgamated Fixed	£4-5	...	April 15	...
Gula Kalumpung Rbr.	...	5	...	8	Foster (M. B.)	9†	13½	...	12	Century Fixed	£6-5	...	May 1	...
Hanwell Rubber	...	12	...	20	Friedlands	6*	...	14½	...	First Protected	£8	...	Mar. 31	...
Klanang Produce.....	...	4	April 14	18	Friars Investment	2½†	4	...	4	Investors Gold Share	£11	...	April 1	...
Leadbury Rubber	...	3	Apr. 27	12½	Gen. Steam Navgm.....	...	25	...	12½†	GENERAL STEAM NAVIGATION. —Ordin				
Poonmudi Tea	...	5	April 3	7½	Groves and Whitnall	7½†	12½	...	12½	dividend for 1938, 5 per cent., tax free, against				
Rubber Pltns. Trust	6†	10	April 26	10	Hadfields	15†	22½	...	22½	per cent. plus 5 per cent. bonus, tax free, for 193				
Simo Rubber	...	5	...	17½	Halesowen Steel	10†	15	...	30	GULA-KALUMPONG RUBBER. —Ordin				
Sungei Siput Rubber	...	5	...	17½	Harris and Sheldon	7½†	10	...	10	dividend 5 per cent. for 1938, against 8 per cent				
MINING					Heinemann Holdings.....	2½*	...	Apr. 6	5*	LEGAL AND GENERAL ASSURANCE				
Daffo Tin	...	7½	...	12½	Hill (Philip), etc.	12½*	...	April 1	...	Dividend for 1938 45 per cent., tax free, as before				
Oreogum of India Or.	6d.†	15	Apr. 22	5	Hopkins (G.) & Sons	13½*	6	Mar. 31	13½*	PROVINCIAL CINEMATOGRAPE THE				
Do. Pref.	6d.†	15	Apr. 22	15	Horlicks	10	...	...	10	TRES. — Ordinary dividend 15 per cent.,				
Rantau Tin	2½*	...	Mar. 31	4*	Imperial Chemical	5†	8	June 1	8½	participating dividend of 7½ per cent., making				
Transvaal Gold	2½*	...	...	21*	Kennedy's (Bourne-	...	...	...	...	per cent. for year, as before.				
Union Corp.	£44†	£64	...	68	mouth)	...	5	...	12½					
INDUSTRIALS					Krupp's Works	...	6	...	5					
Alliance Trust	14†	25	...	25	Millon Iron	...	10	...	10					
American Investment	3½†	6	...	6½	Phillips (Godfrey)	9½†	11½	Apr. 28	12½					
Anglo-Post Telephone	5†	8	...	8	Primitive Gas (B.A.)	...	...	...	62½					
Associated Electrical	2½*	10	...	10	Rose (L.) & Co.	£37½†	62½	...	62½					
Balks	2½*	...	May 1	2½*	Royal Mail Lines	...	5	...	5					
Barrow Burns, Colly.	£3*	...	...	£4*	Scottish Iron, etc.	...	10	...	10					

Industry and Trade
COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)

District	Week ended		January-February	
	Mar. 4, 1939	Mar. 11, 1939	1938	1939
Northumberland	305-0	287-6	2,296-9	2,267-3
Durham	678-6	671-9	5,493-8	5,174-0
Yorkshire	944-9	933-0	7,892-2	7,719-3
Lancs, Cheshire and N. Wales	361-3	361-7	2,924-5	2,947-9
Derby, Notts & Leicester	707-3	740-1	6,316-8	6,199-2
Staffs, Worcs, Salop and Warwick	422-2	423-5	3,513-3	3,565-3
South Wales & Monmouth...	739-9	719-3	6,447-4	5,694-9
Other English districts*	117-7	119-0	955-7	907-3
Scotland	639-7	639-5	5,090-5	5,054-5
Total	4,916-6	4,895-6	40,931-1	39,530-6

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	Mar. 10, 1939	Mar. 17, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	22-7	19-7	844	658
Brazilian	5-9	6-4	206	181
Peruvian, etc.	3-9	3-4	83	64
Sudan	1-6	1-7	101	89
East Indian	15-5	9-8	222	247
Other countries	3-1	2-9	121	114
Total	60-3	54-2	1,807	1,554

Metals

SALES ON LONDON METAL EXCHANGE

	Week ending		From Jan. 1 to Mar. 22, 1939
	Mar. 15, 1939	Mar. 22, 1939	
Copper	7,525	6,725	73,550
Tin	1,300	1,685	16,135
Lead	7,800	6,650	71,250
Spelter	3,975	4,575	44,070

U.K. STOCKS

	Mar. 11, 1939	Mar. 18, 1939
Copper (Br. official w'houses):	5,311	5,230
Refined	26,694	26,974
Tin (London and Liverpool) ..	11,775	11,945

† Free of Income Tax.
(a) Paid on a larger capital.
(b) Four months ending April 30th.
‡ 4-1365. || 6-511. ¶ 5-063145.

GENERAL STEAM NAVIGATION.—Ordin dividend for 1938, 5 per cent., tax free, against per cent. plus 5 per cent. bonus, tax free, for 193

GULA-KALUMPONG RUBBER.—Ordin dividend 5 per cent. for 1938, against 8 per cent

LEGAL AND GENERAL ASSURANCE Dividend for 1938 45 per cent., tax free, as before

PROVINCIAL CINEMATOGRAPE THE TRES.— Ordinary dividend 15 per cent., participating dividend of

BRITISH WHOLESALE PRICES

Mar. 15, Mar. 22, 1939 1939			
CEREALS AND MEAT			
BRAIN etc.—			
No. 2, N. Man. 496 lb.	s. d.	s. d.	
Eng. Gaz. av., per cwt.	27 0	27 0	
Liv. Mar., per cental	4 4	4 4	
Flour, per 280 lb.—			
Straights, d/d London	22 6	22 6	
Manitoba, ex store	21 0	21 0	
Barley, Eng. Gaz., av. per cwt.	7 4	7 3	
Oats	6 1	6 0	
Maize, La Plata, landed, 480 lb.	27 9	26 6	
Rice, No. 2 Burma, per cwt.	7 5½	7 4½	
MEAT—			
Beef, per 8 lbs.—			
English long sides	4 2	4 4	
Argentine chilled hinds	4 0	4 0	
Mutton, per 8 lb.—			
English wethers	5 0	5 0	
N.Z. frozen wethers	2 4	2 6	
Lamb, per 8 lb.—			
N.Z. frozen	4 8	4 8	
Pork, English, per 8 lb.—	6 4	6 10	
BACON (per cwt.)—			
English	100 0	100 0	
Danish	96 0	96 0	
Dutch	93 0	93 0	
Irish	102 0	102 0	
HAMS (per cwt.)—			
Canadian	94 0	96 0	
United States	90 0	94 0	
OTHER FOODS			
BUTTER (per cwt.)—			
Australian	117 0	115 0	
New Zealand	118 0	116 0	
Danish	130 0	135 0	
Dutch	140 0	136 0	
CHEESE (per cwt.)—			
Canadian	72 0	73 0	
New Zealand	60 0	60 0	
English Cheddars	86 0	86 0	
Dutch	55 0	55 0	
COCOA (per cwt.)—			
Accra, g.f.	22 0	22 0	
Trinidad	40 0	40 0	
Grenada	30 0	32 0	
COFFEE (per cwt.)—			
Santos sup. c. & t.	32 0	32 0	
Costa Rica, medium to good	70 0	72 0	
Kenya, medium	58 0	56 0	
EGGS (per 120)—			
English (15-15½ lb.)	9 10	9 3	
Danish (15½ lb.)	10 3	10 9	
FRUIT—			
Oranges, Valencia, ½ cases	12 0	13 6	
Valencia Bloods, ½ cases	16 0	16 9	
Jaffa, boxes	15 9	15 0	
Lemons, Naples, boxes	15 3	11 3	
Apples, Amer. (var.), barrels	25 0	25 0	
Canadian: Nova Scotian (var.) barrels	17 9	15 0	
Grapes, S. Africa, Bx. A. Laval	4 8	6 0	
Grapefruit, S. African	7 1	8 0	
Jaffa, Seedless	9 3	10 9	
Cyprus, seedless	14 3	14 3	
Texas (March Seedless)	12 6	12 6	
LARD (per cwt.)—			
Irish, finest bladders	50 0	50 0	
U.S.	39 0	38 0	
PEPPER (per lb.)—			
Black Lampong (in Bond)	0 2½	0 2½	
White Muntok (f.a.o.) (in Bond)	0 3½	0 3½	
POTATOES (per cwt.)—			
English, King Edward, Siltland	5 9	7 0	
SUGAR (per cwt.)—			
Centrifugal, 90% prpt. shipm.	6 3½	6 5½	
Refined London	19 9	19 10½	
Yellow Crystals	19 9	19 10½	
SUGAR (per cwt.)—cont.			
Cubes	24 10½	24 0	
Crushed	22 0	22 1½	
Granulated	19 10½	20 1½	
Home Grown	19 9	20 0	
TEA* (Auction Average) (per lb.)			
N. India	12-09	12-62	
S. India	14-16	14-75	
Ceylon	15-64	15-71	
Java	12-58	13-31	
Sumatra	10-70	10-53	
Africa	10-83	10-54	
Total	13-45	13-44	
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	
Unstemmed	0 5	0 5	
TEXTILES			
COTTON (per lb.)—			
Raw, Mid-American	5-41	5-16	
Sakelantia, F.G.F.	7-14	6-83	
Giza, F.G.F.	7-14	6-83	
Yarns 32's Twist	9½	9	
40's Twist	10½	10½	
60's Twist (Egyptian)	17½	17½	
Cl. th. 32 in. Printers, 116 yds.	16 9	16 7	
36 in. Shirtings, 75 yds.	23 3	23 1	
38 in. ditto, 38 yds.	9 9	9 8	
39 in. ditto, 37½ yds.	8 10	8 9	
16x15, 8¼ lb.	8 10	8 9	
FLAX (per ton)—			
Livonian ZK	77 10	78 0	
Pernau HD	80 0	80 0	
Slanetz Medium, 1st sort	82 0	80 0	
HEMP (per ton)—			
Italian PC	71 0	71 0	
Manilla, Mar.-May "12"	18 10	18 10	
JUTE (per ton)—			
Native 1st mks., c.l.f. H.A.R.B.	23/11/3	23/11/3	
Mar.-Apr. c.l.f. H.A.R.B.	25/10/0	25/10/0	
Sisal (per ton)—			
African, Mar.-May	15 0	15 0	
Italian, raw, fr. Milan	16 15	16 15	
SILK (per lb.)—			
Canton	8 0	8 0	
Japan	9 9	9 9	
Italian, raw, fr. Milan	10 3	10 3	
WOOL (per lb.)—			
English, Southdown, greasy	12½	12½	
Lincoln hog, washed	12	12	
Queensland, sed. super combg.	22	22	
N.S.W. greasy, super combg.	12½	12½	
N.Z. greasy, half-bred 50-56	12½	12½	
Crossbred 40-44	9½	9½	
Tops	26½	26½	
Merinos 70's average	24½	24½	
64's	15½	15½	
Crossbred 48's	15½	15½	
46's	15½	15½	
MINERALS			
COAL (per ton)—			
Welsh, best Admiralty	19 6	19 6	
Durham, best gas, L.O.B. Tync.	22 6	22 6	
Sheffield, best house, at pits	22 0	22 0	
IRON AND STEEL (per ton)—			
Pig, Cleveland No. 3, d.d.	99 0	99 0	
Bars, Middlesbrough	245 0	245 0	
Steel rails, heavy	190 0	190 0	
Tinplates	20 3	20 3	
NON-FERROUS METALS (per ton)			
Copper—			
Standard cash	43/10/0	42/18/9	
Three months	43/15/0	43/3/0	
Tin—			
Standard cash	216/5/0	214/5/0	
Three months	216/10/0	214/15/0	
Lead, soft foreign—			
Cash	215/10/0	213/10/0	
English, pig	15/0/0	15/0/0	
Speiter, G.O.B.—			
Spot	13/16/3	13/13/9	
Aluminium, ingots and bars	13/17/6	13/15/0	
rolling billets	102/0/0	102/0/0	
Nickel, home and export	180/0/0	180/0/0	
Antimony, Chinese	48/0/0	48/0/0	
Wolfram, Chinese	50/0/0	50/0/0	
Platinum, refined	54 0	52 6	
Quicksilver	7/10/0	7/10/0	
per 76 lb.	16/10/0	16/18/6	
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 2½	0 2½	
Oxalic, net	0 6	0 6	
Tartaric, English, less 5%	1 1	1 1	
Alcohol, Plain Ethyl, per proof gal.	1 1½	1 1	
Ammonia, carb. per ton	20/0/0	20/0/0	
Sulphate	21/0/0	21/0/0	
Borax, gran. per cwt.	13 6	13 6	
Nitrate of soda per ton	8/0/0	8/0/0	
Potash, Chlorate, net per ton	37/0/0	37/0/0	
Sulphate per ton	10/0/0	10/0/0	
Soda Bicarb. per ton	11/0/0	11/0/0	
Crystals per ton	5/5/0	5/5/0	
Sulphate of copper per ton	19/0/0	19/0/0	
GOPRA (per ton)—			
S.I. Straits, c.l.f.	11/7/6	11/2/6	
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 4½	0 4½	
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.)—			
Engal, gd. red. v-to line	5 0	5 0	
LEATHER (per lb.)—			
Sole Bends, 8¼ lb.	1 1	1 1	
Bark-Tanned Sole	2 2	2 2	
Shoulders from DS Hides	0 7	0 7	
Eng. or WS do.	0 9	0 9	
Bellies from DS do.	0 5½	0 5½	
Eng. or WS do.	0 9½	0 9½	
Dressing Hides	1 0	1 0	
Ro. Eng. Calif. 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. 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	15/10/0	
RUBBER (per lb.)—			
St. ribbed smoked sheet	0 8½	0 7½	
Fine hard Para	0 7½	0 7½	
SHELLAC (per cwt.)—			
TN Orange	39 0	38 0	
TALLOW (per cwt.)—			
London town	16 6	16 0	
TIMBER—			
Swedish u/s 3x8	19/15/0	19/15/0	
2½x7	19/5/0	19/5/0	
2x4	17/0/0	17/0/0	
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	24/5/0	24/5/0	
Rape, refined	31/15/0	31/15/0	
Cotton-seed, crude	17/10/0	17/0/0	
Coconut, crude	17/0/0	16/0/0	
Palm	13/17/6	13/17/6	
Oil Cakes, Linseed, Eng.	8/17/6	8/17/6	
Oil Seeds, Linseed—			
Le Plata	11/2/6	11/3/9	
Calcutta	12/11/3	12/13/9	
Turpentine	35 6	36 0	

THE ECONOMIST

TRADE SUPPLEMENT

New Series

SATURDAY, JANUARY 28, 1939.

The Trend of Business

The Economist Index of Business Activity, which is adjusted for seasonal variations, has shown a further decline, from 101½ (1935 = 100) in November to 100½ in December, the lowest figure since October, 1935.

The downward movement last month, however, was less uniform than in November. Two of the constituent series of the Index of Business Activity given on page 3 remained unchanged, while a decline of six of them was balanced by a rise in the remaining six indices.

The indices which remained unchanged are those relating to employment and railway merchandise traffic (which is provisional). For various reasons, such as the spreading of work, the index of employment is not a very sensitive reflection of short-term changes in general business activity; it has remained unchanged since July last year, and the figure for

last month was actually slightly higher than that for December, 1937, when the weather was unfavourable to outdoor work.

The indices showing a rise between November and December include those relating to electricity consumption, commercial motor vehicles in use, postal receipts, cotton consumption, shipping movements and town bank clearings. The sharp rise in the consumption of electricity during December was probably due to nothing more than the cold spell in that month. Nor are the slight upward movements of the five remaining indices of decisive significance.

On the other hand, the indices showing a decline in the past month include all the more sensitive—and in some cases forward-looking—series. The drop in the coal consumption index in a month when the domestic intake must have been heavy looks ominous at first sight, but it was probably due, in a large measure, to the reduction in iron and steel production, which, in turn, was largely fortuitous. The index of building activity, based on the value of building plans passed, foreshadows a further shrinkage in constructional work.

The index of iron and steel available for domestic consumption, based on domestic output and adjusted for imports and exports, fell heavily, from 99 in November to 82 in December, the lowest level recorded since November, 1933. The sharp decline in iron and steel production in December is widely attributed to the reduction in prices, which prompted consumers to delay purchases until January. The provisional index of the volume of raw material imports fell to the lowest point since January, 1935. While the uncertain trend of raw material prices has prompted consumers to refrain from purchasing anything but urgent requirements, the low level of purchases can no longer be explained by the existence of surplus stocks. The decline in the intake of raw materials, therefore, creates a strong presumption that the trend of the consumption of those materials remains downwards. The index of the volume of manufactured exports registered a

further decline in December. Lastly, the figure for metropolitan, country and provincial bank clearings, a much more accurate indicator of changes in general business activity than the index of town clearings, also showed a decline.

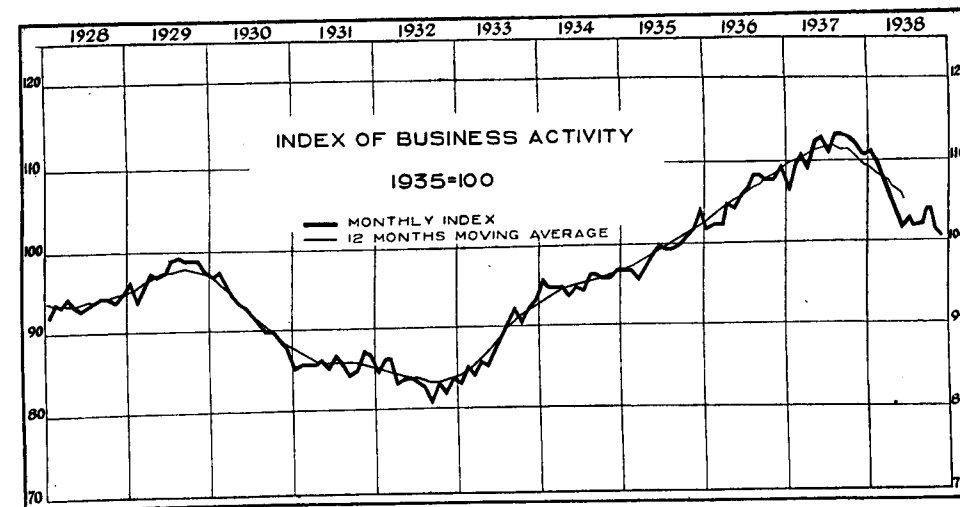
Such evidence as has come to hand since the beginning of January is somewhat conflicting. So far as the capital equipment industries are concerned, the decline in building activity, if anything, is gaining momentum. The present A.R.P. programme, moreover, cannot be expected fully to offset the curtailment of private building. Again, there have been very few new orders for merchant vessels; the activity of the shipbuilding industry, therefore, is bound to decline further during the next few months, despite the big volume of naval work on hand, especially as considerable time will elapse before any Government assistance can become effective.

The engineering industry, on the other hand, remains very active, and the volume of new orders, both for civil and military purposes, has shown a slight improvement. The electrical equipment industry, in particular, will receive a substantial volume of orders for the increase in the capacity of the electricity supply industry. Activity in the iron and steel industry, moreover, may be sustained by Government orders for steel shelters and other A.R.P. and military equipment.

Reports from the consumers' goods trades are encouraging as far as domestic business is concerned. There has been a noticeable improvement in sales of motor cars. Moreover, a report from the Wholesale Textile Association indicates that orders for February, March and April are well up to expectations; but export business has remained disappointing.

The impression left by the evidence of trade conditions is that while the trend of activity remains downwards in certain major branches of activity, including building, business is marking time or showing a slight improvement in other industries. Although the general outlook still seems to point to a slow decline in activity and a slow increase in unemployment, there are no indications, at the moment, that the rapid decline in general business activity in the early months of 1938 will be repeated this year.

In the United States business activity showed a further, though modest, expansion in December, but, as was only to be expected after the vigorous recovery in the second half of last year, the upward movement has now tended to slow down, at least temporarily. In France there are indications of a gradual improvement. Production is maintained at a record level in Germany, despite the decline in exports, but the latter tendency is increasing the difficulty of keeping the machines fed with raw materials. Elsewhere in Europe, as in the principal raw material-producing countries, activity is either marking time or slowly declining.



* Weeks ended March 9th and March 16th.

† 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.

British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of January. In the remainder they relate to the month of December.

COAL

The past month witnessed a decline in the activity of the coal-mining industry. The quantity of saleable coal raised declined from 20.0 million tons in November to 19.2 million tons in December, compared with 21.1 million tons in December, 1937. The deterioration in the industry is revealed by the fact that, whereas output last October was only 3.3 per cent. smaller than in October, 1937, production in November was 5 per cent. smaller and in December 9 per cent. smaller than in the corresponding months in 1937. Exports and shipment for the use of steamers in November and December were 6 per cent. and 11 per cent. smaller than in the same months of 1937. Home consumption also showed a decline in December, which, in view of the cold spell in that month, is surprising. The reason for the decline must be sought in a fall in industrial consumption, which, in turn, was probably due in a large measure to the curtailment of activity in the iron and steel industry last month. While the demand for house coal has been fairly well maintained this month, the volume of forward business, especially for export, has been somewhat disappointing. The total quantity of saleable coal raised in 1938 was 228.2 million tons, against 241.2 million tons in 1937. During the same period exports declined from 40.3 million tons to 35.9 million tons, and shipments for the use of steamers from 11.7 million tons to 10.5 million tons.

IRON AND STEEL

The output of iron and steel was sharply curtailed between November and December. The output of pig iron declined from 461,500 tons in November to 445,800 tons in December; during the same period in 1937 production rose from 762,300 tons to 783,800 tons. The output of crude steel declined by almost one-quarter, from 860,000 tons in November to 655,700 tons in December. Between November and December, 1937, output fell by only 6.3 per cent., from 1,178,300 tons to 1,103,800 tons. It is doubtful whether consumption showed a proportionate decline; and it is widely believed—and probably with justification—that the reduction in prices at the turn of the year prompted consumers to take delivery of no more materials than they actually needed before the lower rates came into force. If this is the full explanation of the severe curtailment in output, the returns for January should show a more than seasonal increase. The market's response to the cut in prices appears, as yet, to have been somewhat disappointing, but an improvement in business is confidently expected by the industry. Last week the industry obtained the first order for household air-raid shelters. The initial order, understood to be one-fifth of the total quantity to be ordered, is for 400,000 shelters; their construction will require 100,000 tons of sheets and 18,000-20,000 tons of channels, with a considerable tonnage of nuts and bolts. This order will give a welcome fillip to certain sections of the iron and steel industry. The total output of steel ingots and castings declined from 12.89 million tons in 1937 to 10.38 millions in 1938, a reduction of 20 per cent. Imports of iron and steel declined by 34 per cent. to 1,341,000 tons and exports fell by 25.5 per cent. to 1,918,000 tons.

GENERAL ENGINEERING

The slight improvement in new orders noticeable a month ago is reflected in a decrease in the proportion of insured persons unemployed between November and December. Thus, the employment position showed an improvement in general, electrical and constructional engineering, but there was a slight increase in the number of insured persons unemployed in marine engineering. The slight improvement in the volume of the new orders secured by the industry has been maintained this month, and the fact that it was not confined to Government contracts is encouraging. As far as individual sections of the industry are concerned, there has been a slight increase in business in the electrical and mining machinery sections. The demand for lifting and excavating machinery, boiler-house equipment and machine tools remains good, and a seasonal improvement in the agricultural machinery section is expected next month. Since the refusal of the trade unions' demands for higher wages on December 6th there have been no further negotiations. The engineering industry is among the few branches of activity which were able to increase their exports in 1938. Thus, shipments rose from 438,052 tons in 1937 to 459,990 tons in 1938. The increase in the value of exports was even more marked, from £49.7 millions to £57.9 millions. The expansion of exports was partly due to the increase in shipments to Russia, from 4,873 tons in 1937 to 20,315 tons in 1938. Imports, on the other hand, showed a decline both in volume and value; they amounted to 124,278 tons (valued at £21.8 millions) in 1938, against 147,203 tons (valued at £24.2 millions) in 1937. In December, however, the volume of exports was smaller than a year earlier, but their value showed a further increase. The outlook for the industry remains encouraging, and orders on hand will ensure a high level of activity in the coming months.

ELECTRICAL EQUIPMENT

Activity in the electrical equipment industry remains at a very high level. The proportion of insured persons unemployed declined from 5.3 per cent. to 4.9 per cent. between November and December in electrical engineering, and rose slightly, from 6.7 per cent. to 6.8 per cent. in electric cable, apparatus and lamp manufacture. Moreover, the indications point to the maintenance of a high level of activity in the electric equipment industry. For example, the capital expenditure on plant extensions in the electricity supply industry authorised in 1938 is estimated at £14.5 millions, which exceeds the figures for all previous years. Export trade has been very well maintained in the past year. Thus, shipments of electric equipment increased from £12.5 millions in 1937 to £13.4 millions in 1938, and those of electrical machinery rose from £3.0 millions to £4.3 millions.

AUTOMOBILES

New registrations of cars in November, 1938, were 12 per cent. bigger than in November, 1937, the first increase recorded for some months over the corresponding figures for 1937. The expansion was concentrated on registrations of private cars, and it appears that after a period of stagnation, the demand for new cars has increased. Production of private cars and taxis, reflecting the improved demand, increased from 24,867 units in October to 28,226 units in November, an increase of 1,200 compared with November, 1937. Production of commercial vehicles also showed an expansion compared with a year ago, though the increase was smaller than that of private cars. Imports and exports of all kinds of motor vehicles declined in 1938 compared with 1937; imports of private cars and taxis fell from 18,034 units to 10,242 and exports from 78,079 units to 68,267.

BUILDING

Activity in the constructional trades showed a further, though largely seasonal, decline between November and December. On the whole, however, the downward trend of constructional activity has remained comparatively slight, though there are indications that the pace of the decline is gaining momentum. The returns of the value of building plans passed by a representative sample of local authorities in recent months have been consistently below the level of the corresponding months in 1937, and although these returns do not include direct Government contracts, they foreshadow a further shrinkage in total activity during the next few months. The returns of the value of plans passed in December, for example, show a reduction of 30.6 per cent. compared with the corresponding month in 1937. The decline was very marked in the case of dwelling-houses, which is being attributed partly to the decreasing attractiveness of property as an outlet for private savings, due to the absence of facilities for insuring against air raids.

CHEMICALS

In most sections of the home chemical market, trade in December was less active than during the previous month. There was a fair amount of forward business in industrial chemicals, and prices were maintained. Reports from the wood distillation industry indicate that there has been little change since last month, a moderate volume of trade being transacted in most products. There has been a steady demand for pharmaceutical and other fine chemicals. The demand for coal tar products was dull throughout the month. Overseas trade in chemicals, drugs, dyes and colours showed a further decline in December, the value of exports decreasing by £205,341 and that of imports by £265,747 compared with December, 1937. As compared with the twelve months of 1937, the value of exports of the chemical group in 1938 fell by £2,604,414 and the value of imports by £642,907 to £22,048,681 and £13,214,627 respectively.

POTTERY

The completion of Christmas orders has brought a reduction in output in many sections of the industry. Employment in North Staffordshire in particular showed a marked decline in December, though activity was better maintained in Bristol and Derby. Exports of earthenware also declined between November and December, though exports of sanitary ware showed a small increase. For the calendar year 1938, exports of earthenware amounted to 501,000 cwt. valued at £2,000,200, compared with exports of 532,700 cwt. valued at £1,980,900 in 1937; exports of sanitary ware declined from 467,500 cwt. to 424,500 cwt.

FOOTWEAR

After the usual seasonal slackness in December and early January, there has been a considerable revival in orders, and spring business is developing well. Leather prices remain firm. The trade returns for 1938 show that exports of leather boots and shoes amounted to 374,511 dozen pairs, which compares with 394,440 dozen pairs in 1937; imports of leather footwear increased from 231,277 dozen pairs in 1937 to 270,261 dozen pairs in 1938, due to increased supplies from Czechoslovakia and the United States. Imports of rubber foot wear increased from 916,500 dozen pairs to 1,057,100 dozen pairs.

COTTON

There has been very little change in conditions in the Lancashire cotton industry during the past month, in which business was to some extent interrupted by the holidays at Christmas and the New Year. This slack state of affairs has been partly due to the political situation, and merchants remain in a cautious mood. Changes in raw cotton prices have been unimportant. Home users and exporters of yarn have purchased from hand to mouth, and margins for counts and qualities that are not covered by price agreements have been narrowed. Spinning production remains unchanged at 53 per cent. of capacity compared with 88 per cent. a year ago. Demand for cloth for foreign outlets has been limited. Not more than a retail business has been done for India, but some manufacturers have done rather better for South America and the Dominions. Some home trade buyers have been more disposed to make replacements, and further Government contracts have been arranged in fine and heavy materials. Exports of piece goods in 1938 amounted to 1,386 million sq. yards valued at £31,967,400, compared with 1,921 million square yards valued at £44,768,700 in 1937. Exports of cotton yarns fell by 23 per cent. compared with 1937.

JUTE

The price of raw jute has advanced sharply during the past few weeks, and has induced a greater volume of enquiries both for cloth and yarns. Unemployment continued to decline in December in the Dundee jute industry, and a further increase in activity is expected, unless a relapse in jute prices should occur. Exports of jute yarn and of manufactures increased noticeably between November and December, but the recovery in the last quarter of the year was not sufficient to offset the decline in exports in the earlier months. Exports of sacks and bags declined from 963,400 cwt. in 1937 to 943,600 cwt. in 1938, and exports of other manufactures declined even more, from 136,900 cwt. to 84,100 cwt.

LINEN

The suspension by the Soviet Government of all further exports of flax from the 1938 crop has left the market very short of supplies. Consequently, prices have risen sharply, but the uncertain political outlook has restricted the sale of cloth, and there is little business passing. Exports of linen piece goods fell from 83 million square yards, valued at £5.1 millions in 1937, to 52 million square yards, valued at £3.5 millions, in 1938; the greater part of the fall was due to the very sharp contraction in exports to the United States.

RAYON

Trade has been disappointing during this month, and has not developed as was expected. Production continues at a reduced level and the stock position is good. The hose trade continues in the shadow of threatened labour disturbances. Staple fibre demand is somewhat unsatisfactory. Overseas business is very poor. The recession in the rayon trade is reflected in the 1938 trade returns; exports of piece goods declined from 77.9 million square yards in 1937 to 60.7 million square yards in 1938.

WOOL

Raw wool prices have been well maintained at the primary markets, and the rather uncertain tone at the opening of the London sales improved later. New business in yarns has improved recently, and there are prospects of very considerable Government contracts, which will help the woollen trade. There is rather more inquiry in the cloth market, but new business remains limited.

AGRICULTURE

The cold spell in December has prevented much progress from being made with winter cultivations, but these were generally well advanced. Hill sheep suffered from the cold and supplies of winter fodder have been needed, both for lambing flocks and for dairy herds. Lambing has begun on some lowland farms, but will not become general for some weeks.

SHIPPING

Freight rates continued to decline during September; The Economist index declined from 94.1 (1913=100) in November to 92.8 in December. The fall was general on all routes, with the exception of the Mediterranean. Interest in the shipping and ship-building industries is centred on the proposals for Government assistance published last week by the Chamber of Shipping.

RETAIL TRADE

After the fall in retail trade in November, the statistics published by the "Board of Trade Journal" show that the daily value of retail sales in December, 1938, in the reporting shops, increased by 1.9 per cent. compared with December, 1937. The increase was general in all districts with the usual exception of Central and West London, where a sharp fall of 7.6 per cent. occurred. The fall in the value of stocks, noted in each month since June, also continued in December, though it was appreciably smaller in recent months.

UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY*

Daily Averages of 1935=100

Period	Employment	Consumption of Power		Transport		Postal Receipts	Building Activity	Consumption of		Foreign Trade			Bank Clearings		Complete Index	
		Coal	Electricity	Merchandise on Railways	Commercial Motors in Use			Iron and Steel	Cotton	Imports of Raw Materials	Exports of British Manufactures	Shipping Movements	Metropolitan, Country, Provincial	Town	Monthly	Twelve Months Moving Average
Number of Weights	10	4	2	4	2	3	2	2	1	2	3	2	4	1	42	
1929	98	103	68	127	78	95	60	97	111	98	137	108	91	109	98	...
1930	94	98	68	115	80	96	65	84	82	88	107	107	89	112	93	...
1931	91	92	69	98	83	95	62	73	86	82	80	97	86	98	87	...
1932	90	90	71	86	86	94	57	59	94	84	82	84	86	88	84	...
1933	93	90	78	89	89	96	73	70	101	92	85	98	91	88	89	...
1934	97	97	88	100	95	97	88	93	98	100	92	98	95	96	96	...
1935	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	...
1936	105	104	112	106	105	104	107	125	109	110	101	102	104	103	106	...
1937	111	109	126	113	111	106	98	142	116	121	112	109	105	101	112	...
1938	110	...	131	...	...	110	90	111	...	...	...	105	...	...	...	...
1935—December	101	105	108	102	102	104	108	113	99	117	99	103	103	112	104	102
1936—January	101	107	104	104	103	101	106	117	106	97	92	98	98	91	102	102
February	102	100	108	102	104	101	107	115	100	98	102	100	99	93	102	103
March	103	98	105	105	104	102	107	112	101	99	99	99	100	94	102	104
April	103	103	111	106	104	102	106	126	110	107	98	98	101	97	105	104
May	104	102	107	105	105	102	107	116	112	106	99	100	103	96	104	105
June	105	106	107	104	105	101	109	121	119	117	98	102	104	104	106	105
July	106	104	109	106	105	103	109	123	120	117	105	101	104	97	107	106
August	107	104	111	109	106	103	109	139	120	117	101	107	105	103	108	106
September	107	104	112	106	106	108	109	132	107	123	105	104	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	106	108	107	105	125	100	119	100	106	109	111	108	108
December	107	107	117	113	108	108	103	134	109	108	108	108	107	122	109	109
1937—January	109	97	116	110	109	107	102	124	111	103	104	101	106	105	107	109
February	109	108	118	107	109	110	102	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	103	102	102	103	109	110
May	110	115	123	113	111	108	100	130	143	116	117	114	107	98	112	111
June	111	115	122	113	111	107	99	133	111	125	122	106	106	108	113	111
July	112	106	123	114	111	105	96	140	131	122	113	109	102	100	111	111
August	112	107	125	119	111	108	95	160	115	130	111	113	106	99	113	111
September	112	110	124	117	111	108	95	157	106	133	113	106	106	99	113	111
October	112	105	124	112	112	108	96	158	107	146	112	110	104	99	113	111
November	111	107	128	110	113	108	95	167	106	145	104	109	104	100	112	110
December	109	105	131	114	113	111	96	173	97	110	108	108	101	99	111	109
1938—January	110	108	128	116	114	110	96	169	107	110	104	105	105	99	111	109
February	110	108	128	112	114	110	93	155	101	117	101	106	103	93	110	108
March	109	102	120	108	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	106
May	109	104	131	91	113	108	90	104	81	103	93	103	99	95	102	106
June	109	105	125	89	113	107	90	93	81	111	101	108	99	93	103	105
July	110	101	129	86	113	106	90	91	84	114	91	106	99	94	102	...
August	110	98	130	89	114	108	90	95	112	90	105	98	98	98	102	...
September	110	105	132	88	114	108	83	88	87	105	103	104	102	102	104	...
October	110	105	133	88	117	109	88	100	81	104	99	107	101	95	104	...
November	110	106	130	84	117	110	87	99	81	90	99	101	101	83	101	...
December	110	95	139	84	117	113	85	82	82	86	96	102	98	103	100	...

* For method of construction and earlier figures (1924-1933) 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.—Trade showed the usual seasonal expansion at Christmas, and industrial activity has been well maintained. The poor wheat harvest (especially in Victoria), combined with the low world prices, does not provide a favourable outlook for trade in future; a reduction in the wool clip is also expected, and production of butter has been affected by the long drought. The preliminary figures for the last six months of 1938 showed a reduction of £4.6 millions in the value of exports and of £5.8 millions in the value of imports, compared with the same months of 1937; the export surplus increased by £1.2 millions to £6.6 millions.

CANADA.—Business conditions remained unchanged, and activity is at about the same level as a year ago. Primary sales of wheat have been large, and visible stocks amounted at mid-December to 171 million bushels, compared with 60 million bushels a year ago. The guaranteed price for wheat has helped to maintain incomes in the western districts, and retail trade showed a fairly normal increase in December. The sales of cars continue satisfactory, and the activity in the motor industry has helped the steel trades. Some anxiety is felt over the reduction in the tariff under the new American-Canadian trade agreement, as it is felt that American competition may be intensified. The decline in the value of the pound has also hindered exporters to the British market.

INDIA.—The rise in the price of raw jute does not seem to have encouraged the placing of more business, and as stocks of piece goods are big, the outlook is not favourable in the jute trade. The market in cotton piece goods showed a slight improvement after Christmas, and there is consequently a more hopeful feeling in the yarn market, but the level of activity is still low. Rain is still needed in many districts, and the wheat harvest has been badly affected by the drought. The value of both imports and exports was a little lower in November than in November, 1937.

SOUTH AFRICA.—The volume of Christmas trade was satisfactory, and general business activity is well maintained. Building contractors are still busy, though the value of building plans passed in Johannesburg in 1938 was considerably smaller than in 1937. Widespread rains in December benefited all areas; prices of wool and hides and skins continue stable. Exports of citrus fruit during the first 11 months of 1938 amounted to 202,282 tons, compared with 237,410 tons in the corresponding months of 1937.

EUROPE

FRANCE.—On the whole, business activity is showing a gradual expansion. Statistics of the latest movements in industry and trade are not yet available; the most recent official index of industrial production rates to November (1928 = 100), when it stood at 86, against 80 in October and 92 in November, 1937. Between October and November the expansion in activity was fairly general, embracing mining, chemicals, iron and steel, engineering and the motor industry. The index of building activity, on the other hand, remained 38 per cent. below the 1928 level, as it did in the four preceding months. The cotton textile industry has shown some improvement. Unemployment showed a seasonal increase during the four weeks ended January 7th, the number of persons in receipt of benefit rising from 371,920 to 416,604. The trend of wholesale prices was upwards during the four weeks ended January 14th, but the prices of industrial securities, after rising steeply during the latter part of last year, have again tended to decline, probably owing to the deterioration in the international political outlook.

GERMANY.—Industrial activity has been maintained at a high level. Thus the monthly index of production calculated by the German Institute for Business Research (1928 = 100) rose from 133.5 in October to 135.8 in November. The more up-to-date weekly index of business activity (1936 = 100) rose from 113.8 during the last week of November to 116.7 in the first week of January. But the high level of industrial production masks the severe strains and stresses now noticeable in the German economy. The drive for increasing the country's military strength has resulted in a heavy transference of resources from peace-time to military purposes. It is estimated, for example, that something like 50 per cent. of the new orders secured by industry are now placed by Government agencies. Moreover, since the country's resources are already fully employed, it is becoming increasingly difficult to expand activity in any one direction without reducing it in another. Again, the decline in exports relatively to imports is increasing the difficulty of keeping the machines fed with raw materials. The commodity price indices calculated by the Institute for Business Research, however, have remained practically unchanged in recent weeks.

SWEDEN.—There has been little change in the economic situation. Activity in industries which supply the building trade continues to increase, but the export trades remain depressed. The volume of new business in the wood pulp trade is small, and the contracts arranged for 1939 have involved unsatisfactory prices. Timber sales were considerably smaller in the latter half of 1938 than in the corresponding period of 1937; prices for redwoods have been falling in recent weeks, but the market for whitewoods is firm.

BELGIUM.—The iron and steel trades increased their output in the latter months of 1938, and there was also an improvement in

the textile trades, due to a better domestic demand; the export trade has been affected by the fall in the value of the pound and, since the suspension of Russian flax exports, by the shortage of raw material in the linen industry. Unemployment increased slowly in the third quarter of 1938, and was in October at about the same level as a year previously.

DENMARK.—The mild weather in the early part of December favoured winter cultivations, which were well advanced before operations were stopped by the cold weather during Christmas. Industrial production continued to increase during the autumn, particularly in the trades dependent on building. Compared with the first eleven months of 1937, the value of imports in the corresponding period of 1938 fell by 30 million kroner to 1,509 million kroner, while the value of exports fell by only 8 million kroner to 1,419 million kroner. The decline in imports was largely due to the reduced prices for imported cereals. The shipping freight market improved in December, due principally to grain charterings from Roumania and the United States; during the last three months most of the shipping laid up during the summer was brought back into commission.

UNITED STATES OF AMERICA

Industrial activity continued to expand in December, when the Federal Reserve Board's index (1923-25 = 100) stood at 104, compared with 103 in November and 96 in October. The less comprehensive *New York Times* weekly index of business activity declined from 94.3 for the week ended December 10th to 90.7 for the week ended January 14th. Expansion has thus slowed down in December and has given way to a slight setback early in January, but, in view of the vigorous recovery of the preceding months, a temporary lull in the upward movement was to be expected. There are no indications, however, of a major contraction in business activity during the next few months. There has been no undue accumulation of stocks of semi-manufactured or manufactured goods; nor has there been any marked rise in prices. Most observers believe that the slight recession in January is no more than a temporary interruption of the upward trend. The outlook for the building industry, for example, is quite encouraging. Building contracts awarded in November were higher than in any corresponding month since 1929, and they showed an increase of 52 per cent. over the figures for November, 1937. The improvement was maintained in December, the Dodge returns for the first three weeks of that month showing an increase of 61 per cent. over those for the corresponding period in 1937. Enquiries for machine tools are active and prospects for increased railway equipment purchases have also tended to improve.

LATIN AMERICA

ARGENTINE.—Very good average crops of wheat, linseed and oats are expected, and exports will be considerably higher than last year. On the other hand, maize has been damaged by drought, although late rains have improved prospects somewhat. Optimism arising from prospects of a good wheat crop is tempered by the fact that prices are about 50 per cent. lower than a year ago, so that in view also of the damage to maize, the general trade outlook cannot be regarded as very encouraging. Exports will probably be on the low side for some months to come, with a consequent reflection in the volume of imports. Nevertheless the new regulations requiring permits for all imports is expected to be beneficial to Great Britain.

BRAZIL.—Exchange cover for imports is still provided with some three months' delay, but the trade returns for January-September register an export surplus, owing to the improvement shown in August and September. Total coffee exports from Santos in the year 1938 were the largest ever recorded for a calendar year, although external prices continue low. Exports of cotton were also larger in 1938 than in 1937, but the recorded value showed a reduction owing to the fall in prices on international markets.

COLOMBIA.—The trade agreement between Colombia and the United Kingdom has been extended indefinitely, but after September 30, 1939, either country may give three months' notice of cancellation. With the improvement in the coffee position, exchange permits covering general imports into Colombia continue up to date. The coffee markets in the Central American Republics are generally quiet, awaiting overseas buying interest.

THE FAR EAST

The Tokio stock exchange had more than one fit of depression in November, due largely to the enforcement of those provisions of the National Mobilisation Act which limit dividends and provide for compulsory bank loans to war industries. The so-called link system, whereby the volume of raw cotton imports has been made dependent on the amount of cotton piece goods exported, has not been a great success; exports of cotton piece goods in October fell by 17 per cent. in volume and by 36 per cent. in value compared with exports in the corresponding month of 1937. The market in raw silk improved at the end of the year, owing to the increase in shipments to the United States, and stocks of rayon are also slowly falling, helped by severe restriction of production. It is noteworthy that there has been a continuous expansion in the note circulation in recent months; the amount of Bank of Japan notes in circulation increased from 1,638 million yen in October, 1937, to 1,948 million yen in October, 1938.

UNITED KINGDOM

(Population, mid 1938, 47,485,000; 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	Nov.	Dec.	July	Aug.	Sept.	Oct.	Nov.	Dec.	
PRODUCTION																			
1. Industr. Prod. B. of Trade (a) (d)	1930 = 100	108.5	100.0	91.0	90.5	95.5	106.1	113.6	124.6	133.1	136.6			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	21.2	21.1	16.8	17.0	18.5	19.7	19.9	19.2	
3. Electricity, public supply, G.B.	Mill. kw.-hrs.	858	910	951	1,020	1,130	1,288	1,464	1,685	1,908	2,285	2,500	1,656	1,679	1,872	2,195	2,346	2,675	
4. Pig iron	Thous. tons	632	516	314	298	345	497	535	641	708	762	784	508	443	430	469	462	446	
5. Steel ingots and castings	"	803	610	434	394	585	738	822	975	1,082	1,178	1,104	683	659	755	855	860	856	
6. Buildg. plans passed (f) Dwellings	Thous. £'s	3,888	3,897	3,374	3,907	5,192	5,799	6,536	6,255	5,637	5,285	7,037	5,566	4,071	4,509	4,685	4,004	3,913	
7. 146 towns, G.B. ... Other	"	2,403	2,320	1,877	1,614	1,781	2,164	2,990	3,497	3,579	3,024	3,075	4,060	2,375	2,533	3,683	3,082	3,953	
8. New Orders, heavy gen. plant	"	100	125	77	112	67	160	148	250	232(i)	200								
9. Home	"	100	67	50	31	44	60	62	96	109(i)	92								
10. Foreign	"	100	93	58	59	56	107	104	167	168(i)	144								
11. Total	"	137	79	17	6	20	43	57	91	88	73	73	29	29	29	29	29	29	
12. Shipbuilding: commenced (f)...	Thous. gross tons	127	123	42	16	11	38	42	71	76	75	75	103	103	103	81	81	81	
13. " launched (f) ...	"	1,560	909	401	225	332	597	743	964	1,125	1,125	1,125			885			780	
14. Automobiles: priv. cars (b)	Number	15,196	14,939	13,250	14,720	19,232	21,406	25,962	29,487	32,469	27,034	31,552	25,426	18,748	22,859	24,887			
15. " Com. vehicles (b)	"	4,705	5,572	5,609	5,123	5,459	7,136	7,681	9,847	9,843	7,773	8,170	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	5.63	5.06	3.57	3.70	3.50	3.92	4.21	4.25	
17. Rayon: Output	Thous. lbs.	4,742	4,064	4,548	6,043	7,007	7,758	10,314	12,110	12,901	13,720	11,830	11,640	9,310	11,780	11,750	12,410		
18. " Quantity excised	"	4,710	3,992	4,591	5,955	7,086	7,715	9,987	11,785	13,082	13,522	11,867	10,821	9,068	11,787	12,175			
19. Beer production	Thous. st. barrels	1,620	1,568	1,365	1,102	1,193	1,293	1,355	1,395	1,488	1,455	1,596	1,701	1,721	1,550	1,445	1,534		
20. Distilling: Drink (f)	Thous. proof galls.	914	840	786	721	733	719	720	760	785	1,100	1,100	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	4,351	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	144.5	152.4	152.2	151.7	152.1	153.1		
TRADE AND TRANSPORT																			
<i>Domestic Trade</i>																			
23. Rly. traf.: Merch. & Lstck. G.B.	Thous. tons	9,780	8,890	7,602	6,605	6,875	7,660	7,661	8,188	8,690	9,223	8,728	6,173	6,636	6,903				
24. " Coal and coke, G.B.	"	15,933	14,868	13,360	12,861	12,727	13,384	13,447	13,539	14,384	15,248	15,687	10,694	11,838	12,889				
25. Automobile: pr. crs. in use, G.B.	Thousands	893.8	967.7	979.7	1,018.4	1,084.9	1,184.5	1,347.5	1,498.8	1,648.2	1,676.9	1,702.7	1,721.5	1,916.2	1,920.4	1,821.2	1,819.4	1,848.5	
26. " Comcl. vehicles in use, G.B.	"	314.7	333.6	346.0	356.2	370.0	393.5	413.2	437.0	459.8	465.7	472.0	473.8	471.2	471.2	485.5	483.9	490.6	
27. Postal traffic receipts, daily	Thous. £'s	133	135	134	133	135	137	140	147	154	157	207	146.0	141.5	154.7	157.2	159.3	209.8	
28. Retail trade, Gt. Brit.: Food...	Avg. daily sales	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
29. " Other merchandise	in 1933 = 100	...	...	...	101	100	103	108	113	119	128	178	126	90	104	123	125	180	
30. " Total	"	...	...	...	79.1	79.2	84.6	90.4	100	110.6	113.7	167.2	129	68.4	94.6	133.5	127.8	99.9	
31. Advtg. expend. on brand. gds.	1935 = 100	...	...	...	76.1	79.2	84.6	90.4	100	110.6	113.7	167.2	129	68.4	94.6	133.5	127.8	99.9	
<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	41,695	41,797	35,440	34,150	36,735	38,044	37,960	34,481	
33. " Raw materials	"	23,774	17,674	12,277	11,740	12,897	15,153	15,237	17,934	23,203	26,473	24,906	17,284	17,234	16,096	16,650	16,278	17,422	
34. " Manufactures	"	25,467	23,622	20,367	12,168	11,654	13,935	14,302	16,452	20,878	23,335	21,711	16,106	17,054	17,543	18,415	18,205	16,390	
35. " Total	"	92,589	79,762	66,449	54,221	52,161	56,681	58,473	65,710	79,492	91,466	89,349	69,384	69,087	70,963	73,589	72,914	69,343	
36. Volume: Food (a) (d)	Avg. of 1935	98.9	99.6	106.5	102.5	100.7	101.1	100.2	103.4	103.4	103.4	103.4	103.4	103.4	103.4	103.4	103.4	103.4	
37. " Raw materials (a) (d)	= 100	101.6	90.9	82.9	84.6	82.7	89.6	99.6	100	111.1	120.9	134.3	109.8	109.8	109.8	109.8	109.8	109.8	
38. " Manufactures (a) (d)	"	133.6	133.9	123.9	79.6	81.8	95.0	100	111.6	127.1	134.3	134.3	109.8	109.8	109.8	109.8	109.8	109.8	
39. " Total (a) (d)	"	108.9	106.3	105.0	92.2	93.7	99.0	100	107.2	113.9	128.6	128.6	109.8	109.8	109.8	109.8	109.8	109.8	
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	3,983	3,451	2,904	2,952	3,075	3,734	3,811	3,025	
41. " Raw materials	"	6,575	5,313	3,920	3,634	3,832	4,021	4,400	4,278	5,388	5,347	4,873	4,699	4,839	4,638	5,311	5,434	4,672	
42. " Manufactures	"	47,899	36,745	24,398	23,031	23,475	25,403	27,411	28,410	33,737	34,682	33,737	26,963	28,005	31,135	32,347	32,471	29,360	
43. " Total	"	60,779	47,563	32,552	30,419	30,659	33,630	35,493	36,727	43,466	45,183	43,882	37,470	36,331	39,189	42,560	42,923	39,369	
44. Volume: Food (a) (d)	Avg. of 1935	126.7	118.7	86.9	80.9	81.8	83.0	83.0	100	110.6	118.3	130.0	109.0	109.0	109.0	109.0	109.0	109.0	
45. " Raw materials (a) (d)	= 100	130.4	110.2	86.9	82.0	88.5	90.3	100	92.4	125.7	127.2	122.2	112.2	112.2	112.2	112.2	112.2	112.2	
46. " Manufactures (a) (d)	"	142.1	113.8	80.7	83.0	85.5	92.4	100	102.1	115.2	115.2	112.8	112.8	112.8	112.8	112.8	112.8	112.8	
47. " Total (a) (d)	"	140.3	115.0	83.8	84.0	85.9	92.4	100	101.5	119.5	119.5	112.8	112.8	112.8	112.8	112.8	112.8	112.8	
48. Shipping: Tonnage entered	Thous. net tons	5,225	5,310	5,023	4,947	5,036	5,223	5,302	5,616	5,616	6,139	5,860	6,068	6,417	5,911	5,887	5,366	5,498	
49. " Tonnage cleared	"	5,723	5,488	5,622	4,620	4,464	4,744	4,474	4,735	5,116	4,911	4,841	5,238	5,379	5,475	5,352	4,691	4,699	
50. " Tonnage laid-up	"	365	1,593	1,967	1,971	1,240	878	636	212	95	100	175	456	456	456	456	456	456	
51. Freight rates, Economist Index	1929 = 100	100	81.7	82.2	77.9	75.1	76.4	76.8	87.3	132.5	129.8	112.2	98.4	98.8	100.4	98.8	97.2	95.5	
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	72.5	82.5	63.1	60.2	71.3	68.7	68.0	77.7	
EMPLOYMENT AND WAGES																			
53. Insured pers. employed G.B.	Thousands	10,220	9,797	9,421	9,348	9,681	10,139	10,377	10,612	11,496	11,580	11,437	11,411	11,417	11,429	12,294	12,258	11,435	
54. Insured pers. unemployed	"	1,212	1,915	2,630	2,756	2,496	2,107	1,958	1,684	1,419	1,432	1,584	1,773	1,758	1,799	1,781	1,828	1,839	
55. Per cent. unemployed	"	10.3	15.8	21.1	21.9	19.8	16.6	15.3	15.0	10.6	10.7	11.8	12.9	12.6	12.8	12.7	13.0	12.2	
56. Regist'd at Exchanges, all ages,	"	1,276	2,014	2,718	2,813	2,582	2,221	2,106	1,822	1,586	1,580	1,755	1,875	1,843	1,881	1,863	1,911	1,911	
57. " London	"	118	177	273	306	278	216	203	179	171	189	196	209	203	211	238	247	247	
58. " S.E. England	"	50	75	114	142	120	93	91	79	70	85	96	75	77	84	99	107	111	
59. " S.W. England	"	69	91	129	157	147	127	114	94	83	80	87	72	70	76	89	93	93	
60. " Midlands	"	165	267	381	371	325	245	217	178	144	152	175	237	238	224	208	205	198	
61. " N.E. England	"	280	419	569	602	557	478	452	304	165	162	193	217	215	217	195	199	200	
62. " N.W.	"	285	522	627	562	517	461	439	374	304	314	341	384	385	416	381	386	386	
63. " Northern (e)	"	...	...	...	...	...	...	...	179	156	143	164	163	164	163	163	163	163	
64. " Scotland	"	156	244	358	378	364	331	314	277	246	234	271	254	239	248	245	254	262	
65. " Wales	"	116	158	196	228	199	208	206	186	151	141	141	146	141	158	163	159	167	
66. " N. Ireland	"	36	60	71	69	68	62	70	81	81	90	102	84	82	81	83	83	83	
67. Industr. disputes, No. days lost	"	676	361	527	641	87	71	160	154	255	152	45	80	86	90	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	104.1	104.1			107.1				
FINANCE																			
<i>Wholesale &amp</i>																			

UNITED STATES, FRANCE AND GERMANY

		Unit of Measurement	Monthly Average										1937		1938					
			1929	1930	1931	1932	1933	1934	1935	1936	1937	Nov.	Dec.	July	Aug.	Sept.	Oct.	Nov.	Dec.	
UNITED STATES (Population 1938: 130,085,000; 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	74.8	70.6	69.7	73.9	75.6	80.7	86.6	87.4		
2. Investment goods, F.R.B. (a)	"	100	72.6	48.2	27.6	41.2	46.5	63.2	82.4	88.6	61.5	49.7	48.2	52.9	56.8	68.8	77.9	...		
3. Consumption goods, F.R.B. (a)	"	100	86.8	85.2	75.9	84.2	83.4	87.6	94.5	91.0	81.0	81.3	87.3	92.3	91.8	90.5	94.5	...		
4. Coal	Million mt. tons	46.0	40.6	33.4	27.2	29.0	31.4	31.6	36.5	37.0	36.8	37.1	23.6	28.2	32.1	35.4	35.6	36.9		
5. Electricity generated	Million kw. hrs.	8,113	7,995	7,474	6,842	7,111	7,590	8,283	9,461	10,083	9,819	10,051	9,523	10,170	9,831	10,210	...	...		
6. Steel	Thous. mt. tons	4,599	3,326	2,133	1,128	1,913	2,139	2,830	3,973	4,192	2,189	1,497	2,015	2,888	2,700	3,168	3,629	3,193		
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	82.0	91.6	57.5	77.6	75.3	75.8	...	...		
Building contracts awarded:																				
8. Residential	Million \$	159.6	91.8	67.6	23.3	20.8	20.7	39.9	66.8	75.5	58.9	43.5	88.0	99.7	99.6	112.7	...	...		
9. Other	"	319.6	285.1	190.1	89.3	83.8	107.9	114.1	156.1	184.4	138.5	166.0	107.6	128.3	145.0	137.0	320.0	...		
10. Private cars	Thousands	382	232	164	88	131	181	271	306	326	295	244.4	107	59	65	137	320	...		
11. Commercial vehicles	"	64	48	35	20	29	48	58	65	72	65	81.8	35	32	18	22	52	...		
12. Activity in textile industry	1929 = 100	100	79.1	81.7	72.2	84.3	73.9	90.4	97.4	96.5	69.6	67.0	84.3	95.7	89.6	87.0	97.4	...		
13. Stocks of raw materials	"	100	106.0	116.7	120.7	122.1	120.7	94.0	86.2	88.6	131.5	131.5	...	...	...	...	...	...		
14. Stocks of manufactures	"	100	102.5	65.0	86.7	85.9	90.9	86.7	85.0	91.5	95.0	95.0	...	...	...	...	...	...		
TRADE AND TRANSPORT																				
15. Index of Rly. car loadings (a)	"	100	86.8	70.7	52.8	54.7	58.5	59.4	67.9	74.7	67.0	63.2	57.6	58.5	60.5	64.2	...	...		
16. Index of Dept. Store sales (a)	"	100	91.9	82.9	62.2	60.3	67.6	71.2	79.2	83.6	81.9	80.1	74.8	74.8	77.5	75.7	...	...		
17. Retained imports	Million \$	362	280	174	110	119	136	170	202	251	212.4	203.6	147.8	171.1	172.9	178.5	171.7	...		
18. Domestic exports	"	430	315	198	131	137	175	187	202	275	311.2	319.4	225.1	228.1	242.6	274.3	249.7	...		
EMPLOYMENT AND WAGES																				
19. Factory employment, F.R.B. (a)	1929 = 100	100	87.2	73.8	62.6	70.2	82.0	87.2	93.4	101.0	96.2	90.7	79.1	81.1	84.9	83.5	...	...		
20. Pay rolls, F.R.B. (a)	"	100	81.1	61.8	42.6	45.9	59.1	67.9	78.4	93.5	85.1	77.2	64.6	70.3	74.2	76.7	...	...		
21. Hourly earnings, N.I.C.B. (a)	"	100	100	96	84	83	99	102	105	120	124.1	123.3	122.9	122.5	123.0	123.1	...	...		
22. Av. hours of work, N.I.C.B. (a)	Number	48.3	43.9	40.4	34.8	36.4	34.7	37.2	39.7	39.3	35.7	34.1	33.8	35.2	36.3	36.7	...	...		
23. Number unemployed, A.F.L. (a)	Thous. ds	1,864	4,770	8,738	13,182	13,723	12,364	12,208	...	...	...	...	...	...	...	...	...	...		
PRICES																				
24. Cost of living, N.I.C.B. (a)	1929 = 100	100	96.2	87.2	77.9	74.9	79.4	82.6	84.8	88.4	88.9	88.5	86.4	85.8	85.8	85.7	85.5	...		
25. Wholesale prices, D. of Lab. (a)	"	100	90.7	76.6	68.0	69.3	78.7	83.9	84.8	90.6	87.4	85.7	82.7	82.0	82.2	81.4	81.3	...		
26. " raw materials " (a)	"	100	86.5	67.3	56.5	57.9	70.4	79.1	82.0	86.9	79.2	77.3	79.1	73.2	74.8	72.7	73.4	...		
27. " semi-manufactures " (a)	"	100	87.2	73.5	63.2	61.4	77.6	78.4	80.8	80.8	85.0	85.0	79.7	79.2	79.6	80.8	81.1	...		
28. " Finished goods " (a)	"	100	93.1	81.5	74.4	74.4	82.8	87.0	86.8	92.2	91.8	92.0	86.3	86.6	86.6	85.9	85.2	...		
29. " Farm products " (a)	"	100	84.1	61.8	45.9	49.0	62.3	75.1	77.2	82.5	72.2	69.4	66.2	64.2	65.0	63.7	64.6	...		
30. 351 Indus. securit., Stand. Stat. (a)	"	100	74.2	45.9	24.4	35.0	42.9	48.0	67.3	69.0	50.7	49.7	56.0	56.7	54.2	59.2	59.7	58.4		
FINANCE																				
31. Total Res. Bank credit	Million \$	1,739	1,386	1,853	2,171	2,674	2,470	2,486	2,500	2,612	2,606	2,612	13,017	13,136	13,759	14,064	14,312	14,511		
32. Gold stock	"	3,900	4,225	4,051	4,405	4,012	8,238	10,125	11,258	12,760	12,774	12,760	6,504	6,504	6,822	6,700	6,787	6,851		
33. Money in circulation	"	4,578	4,603	5,360	5,388	5,519	5,536	5,882	6,543	6,551	6,561	6,550	8,164	8,164	8,504	8,198	8,713	...		
34. Member Bank Res. Balances	"	2,355	2,471	1,961	2,509	2,729	4,096	5,587	6,067	7,027	6,962	7,027	3,022	3,021	2,989	3,227	...	...		
35. Excess Reserves	"	-73	96	-33	576	859	1,814	2,844	1,984	1,212	1,169	1,212	20,530	20,675	21,078	21,323	...	...		
Member Banks in 101 towns:																				
36. Loans and investments	"	19,112	18,660	15,985	14,965	11,383	11,471	13,888	15,571	14,431	21,556	21,484	14,951	15,388	15,508	15,995	16,030	15,988		
37. Deposits: Demand	"	13,070	13,654	11,453	10,378	4,790	4,749	4,911	5,067	5,205	5,234	5,205	16,677	16,923	19,107	20,990	...	...		
38. " Time	"	26,901	23,113	17,119	12,819	13,288	15,701	18,676	23,238	19,590	18,160	24,080	1,0	1,0	1,0	1,0	...	...		
39. Bank debits outside N.Y. City	"	7.61	2.94	1.74	2.05	1.16	1.0	0.56	0.91	1.0	1.0	1.0	2.52	2.51	2.58	2.48	...	...		
40. Call money	"	3.60	3.28	3.31	3.66	3.31	3.10	2.79	2.65	2.68	2.71	2.67	389	415	196	763	389	218		
41. Yield on Govt. bonds	"	595	848	260	99	59	115	123	166	193	134	121	...	...	...	...	...	...		
42. Capital issues, C.F. Chronicle (a)	Million \$	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...		
FRANCE (Population 1936: 41,906,000; Area: 550,986 sq. kms.)																				
PRODUCTION																				
43. Industrial prod., S.G.F. (b) (f)	1928 = 100	109.5	110.2	97.6	75.6	84.2	77.9	74.0	77.2	79.5	80.3	80.3	72	79	80	86	...	...		
44. Coal	Thous. met. tons	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,693	4,073	4,061	3,730	2,776	3,944	4,234	4,188	...		
45. Electricity	Thous. met. tons	100	99.2	93.3	88.2	96.7	98.3	101.7	104.2	114.3	117.5	120.2	436	110.0	120.1	121.9	...	...		
46. Steel	Thous. met. tons	808	787	652	470	544	512	522	559	655	673	676	419	470	511	534	...	...		
47. Building activity	1929 = 100	100	111.4	101.6	81.3	74.0	66.7	55.3	52.0	48.1	43.6	43.6	46.6	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	44.7	44.7	38.5	35.5	39.8	43.1	42.9	40.2		
49. Imports	Mill. frs.	4,852	4,376	3,517	2,484	2,369	1,925	1,745	2,118	3,526	3,931	4,539	2,133	3,861	3,761	4,202	3,453	3,567		
50. Exports	"	4,178	3,570	2,532	1,642	1,539	1,487	1,288	1,995	2,382	2,382	2,382	2,264	2,201	2,201	2,377	2,334	...		
EMPLOYMENT AND WAGES																				
51. Unemployed in receipt of benefit	Thousands	0.9	2.5	56.1	273.4	276.0	345.0	426.9	432.1	350.5	332.9	357.9	344.5	338.4	338.4	361.7	367.1	404.7		
52. Wage rates, Paris region	1929 = 100	100	106	105	100	102	102	101	116	...	...	...	...	...	...	...	...	...		
PRICES																				
53. Wholesale, index of S.G.F. (a)	"	100	88.4	80.0	68.2	63.6	60.0	54.0	65.5	92.7	99.0	100.6	104.0	103.5	104.0	105.9	107.5	109.1		
54. Cost of living, Paris, " (a)	"	100	104.5	102.3	94.6	93.5	92.8	86.9	91.1	111.3	118.3	118.3	123.9	123.9	123.9	123.9	123.9	123.9		
55. Industrial securities	"	100	84.6	58.1	47.0	48.8	35.4	36.3	43.8	...	40.9	38.6	40.9	42.3	38.6	40.5	42.4	48.0		
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	27,763	30,640	21,929	24,589	27,478	31,199	...	...		
57. Impôts sur les revenus	"	10,592	10,716	10,068	7,428	6,348	5,904	5,088	5,705	6,815	5,838	6,815	2,555	3,706	4,593	6,227	...	...		
58. Bank of France: Gold	"	41,668	53,578	68,863	83,017	77,098	82,124	66,296	60,359	58,933	55,808	55,808	55,808	55,808	55,808	55,808	87,264	87,265		
59. " Notes in circulation	"	68,571	76,436	85,725	85,728	82,613	83,412	81,150	89,342	93,837	90,131	93,837	101,117	99.05	124,428	104,468	106,798	106,798		
60. Commercial bank deposits	"	34,065	36,681	38,245	37,059	32,635	30,943	30,943	30,348	30,348	30,142	30,348	33,292	32,292	27,868	30,952	...	...		
61. Bank clearings, Paris	"	42,705	46,333	38,327	27,700	31,545	27,012	28,275	24,244	28,508	29,154	30,640	28,973	24,078	24,294	24,813	32,172	...		
62. Interest rates - Bank rate	%	3.50	2.71	2.12	2.50	2.50	2.50	3.70	4.00	4.00	3.00	3.0	2.50	3.00	3.00	3.00	2.50	2.50		
63. " - Market discount	%	3.50	2.26	1.55	1.26	1.90	2.09	3.48	4.00	3.97	3.40	3.13	2.50	2.58	2.79	2.81	2.79	2.79		
64. " - 3% Rentes	%	3.96	3.42	3.46	3.82	4.35	4.12	3.73	3.87	3.90	4.18	4.31	3.96.							

THE ECONOMIST TRADE SUPPLEMENT
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)	Nov.	Dec.	July	Aug.	Sept.	Oct.	Nov.	Dec.	
COAL																			
1. Production: Belgium	Th. metric tons	2,245	2,285	2,254	1,785	2,108	2,199	2,207	2,323	2,473	2,481	2,582	2,233	2,234	2,387	2,528	2,531	...	
2. " France	"	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,693	4,073	4,161	3,730	2,776	3,844	4,234	4,188	...	
3. " Germany: Coal	"	13,620	11,892	9,887	8,728	9,141	10,405	11,918	13,190	15,736	15,988	16,242	15,763	15,885	15,061	15,638	15,670	...	
4. " Poland	"	3,853	3,126	3,189	2,403	2,283	2,436	2,395	2,479	3,018	3,232	3,338	3,151	3,199	3,347	3,505	3,391	...	
5. " U.K.	"	21,837	20,650	18,582	17,717	17,525	18,708	18,877	19,349	20,421	21,547	21,474	17,096	17,323	18,814	20,012	20,289	...	
6. " U.S.A.	"	46,026	40,590	33,395	27,183	28,967	31,398	31,576	36,761	37,070	36,793	37,126	23,615	28,172	32,106	35,443	35,577	36,923	
7. " All Principal countries	"	107,219	98,062	86,002	76,438	79,694	87,514	89,337	97,877	99,827	101,836	104,773	83,190	88,033	94,308	99,577	99,723	...	
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	19-46	19-6	21-22	20-72	20-76	20-80	20-81	20-58	
OIL																			
9. Production: Dutch East Indies	Th. metric tons	437	461	392	424	461	503	507	536	605	621	627	606	597	607	637	627	...	
10. " Mexico	"	556	492	411	408	422	475	501	511	578	629	649	297	355	483	520	...	...	
11. " Iran (Ang.-Ir. Oil)	"	462	503	487	543	544	579	577	628	678	922	880	708	775	751	760	...	...	
12. " Roumania	"	403	483	563	612	615	706	698	723	596	571	575	564	558	534	550	...	...	
13. " U.S.A.	"	11,509	10,260	9,714	8,970	10,347	10,375	11,386	12,550	14,597	14,287	14,612	14,107	14,555	13,528	13,961	13,513	...	
14. " U.S.S.R.	"	1,206	1,552	1,912	1,791	1,786	2,013	1,989	2,193	2,307	2,321	2,414	2,497	2,470	2,497	2,470	...	...	
15. " All Principal countries	"	17,145	16,351	15,811	15,048	16,516	17,420	18,315	20,575	23,486	23,539	23,985	22,753	23,568	22,589	23,281	...	...	
16. Stocks: U.S.A. end year	million barrels	422	402	371	340	354	337	315	288	306	306	289	286	289	280	273	...	...	
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	96-0	96-0	96-0	
CRUDE STEEL																			
18. Production: Belgium	Th. metric tons	342	280	259	232	229	246	252	265	322	315	266	185	182	187	207	219	...	
19. " France	"	808	787	652	470	544	514	523	559	655	679	676	436	419	467	512	534	...	
20. " Germany (h)	"	1,354	962	691	481	632	990	1,371	1,601	1,654	1,791	1,765	1,901	2,018	1,987	2,057	2,032	...	
21. " Japan, ex. castings	"	191	191	157	200	267	325	375	419	419	...	...	...	...	...	...	...	...	
22. " Luxembourg	"	225	189	170	163	154	161	153	165	209	178	160	110	113	117	132	142	138	
23. " U.K.	"	816	620	438	445	595	750	833	990	1,098	1,197	1,122	694	669	767	869	874	666	
24. " U.S.A. ex. castings	"	4,599	3,326	2,133	1,128	1,913	2,139	2,830	3,963	4,192	2,189	1,497	2,015	2,588	2,700	3,168	3,629	3,193	
25. " U.S.S.R.	"	407	483	451	490	571	800	1,034	1,362	1,485	1,528	1,575	1,552	1,462	1,464	1,566	...	...	
26. " All Principal countries	"	9,714	7,660	5,615	4,113	5,510	6,638	7,983	10,005	10,448	8,703	7,855	7,712	8,187	8,432	9,177	9,631	...	
27. Price: Pig Iron Cleveland No. 3	£ per ton	8-53	8-35	2-91	2-91	3-13	3-35	3-39	3-70	4-67	5-28	5-30	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	979	991	1,035	1,047	1,035	1,041	1,024	1,026	
29. " U.S.S.R.	"	90	120	146	163	221	317	375	450	417	...	...	...	...	...	...	...	...	
30. " Canada	"	161	175	225	254	246	248	274	310	341	353	362	421	412	410	411	405	403	
31. " U.S.A.	"	171	175	185	185	190	229	264	313	341	...	...	...	...	...	...	...	...	
32. " World (b)	"	1,632	1,736	1,867	2,025	2,112	2,275	2,465	2,762	2,898	...	...	...	...	...	...	...	...	
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	140-09	139-8	141-18	142-51	144-95	145-66	147-78	148-92	
WHEAT																			
34. World shipments, yr. ended July	Mlns. of bushels	77	83	69	67	53	46	43	42	50	49	44	42	51	44	...	...	...	
35. Stks.: World visible supplies (d)	"	370-1	411-9	462-7	408-2	459-7	477-2	339-5	275-1	229-5	305-4	340-4	262-4	333-6	423-5	441-8	390-4	...	
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	10-09	9-78	7-76	7-14	6-50	5-89	5-61	5-10	
COTTON																			
37. Mill consumption: U.K.	Thousands of actual bales	233	205	164	182	187	206	209	228	240	243	243	179	...	...	...	...	...	
38. " Japan	"	231	250	214	231	242	271	311	304	347	344	344	261	...	...	...	...	...	
39. " U.S.A.	"	586	505	437	404	508	472	443	527	598	682	682	445	...	...	...	...	...	
40. " World	"	2,157	2,101	1,874	1,860	2,029	2,036	2,116	2,383	2,468	2,468	2,066	...	...	...	...	...	...	
41. Stks.: World Visible Supplies (d)	Thousand bales d. per lb.	2,736	4,317	6,598	7,682	6,571	5,983	4,297	3,875	3,808	7,965	7,069	6,958	6,501	9,316	9,543	9,250	...	
42. Price: Mid. American	"	10-33	7-46	5-08	5-25	5-54	6-57	6-70	6-69	6-37	4-59	4-78	5-01	4-80	4-79	5-16	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	5,981	6,084	4,711	4,226	3,801	4,129	...	...	
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	9-95	9-09	6-20	6-19	7-48	6-79	8-79	8-61	

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	...	...	15-91	12-31	...	...	...	...
2. (Smelter) Canada	"	6-1	8-5	9-2	8-0	9-9	12-7	14-7	15-7	17-2	23-5	24-0	22-5	22-4	22-8	22-4	...	...
3. " Chile	"	25-3	17-3	18-0	8-1	13-1	20-6	21-6	20-4	33-1	29-5	29-0	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	17-1	16-0	16-2	16-2	16-5	15-9	...	...
5. " U.S.A.	"	83-2	60-8	44-8	23-2	18-9	27-3	38-3	55-4	74-2	63-4	55-6	28-4	40-4	45-1	63-1	66-2	65-1
6. " World	"	157-9	131-5	114-9	77-6	86-6	98-4	121-2	135-5	162-3	162-2	158-8	115-9	134-5	132-4	167-9	180-1	178-1
7. Consumption: World	"	146-8	120-0	1-5	75-5	89-1	100-8	110-3	114-2	122-3	140-2	110-6	152-2	161-1	173-2	181-4	161-4	142-1
8. Stocks: U.K.	"	6-6	7-8	2-3	37-3	32-8	56-6	88-7	47-0	32-0	375-4	428-0	474-6	448-6	415-0	385-3	384-2	414-4
9. (Refined) Stocks: World	"	423-0	547-1	692-7	724-5	634-2	532-6	440-3	320-4	428-0	39-32	39-98	39-79	40-63	41-90	45-69	45-28	43-4
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	39-32	39-98	39-79	40-63	41-90	45-69	45-28	43-4
LEAD																		
11. Production: Australia	Th. metric tons	15-0	14-3	12-7	15-8	17-4	16-9	18-2	16-6	19-5	19-9	20-1	18-8	19-7	18-4	19-4	...	...
12. (Smelter) Canada	"	11-5	11-5	10-5	9-6	9-6	11-9	12-4	13-7	15-7	15-6	16-1	15-1	15-3	15-4	16-0	...	...
13. " Germany	"	8-2	9-2	8-4	7-9	9-7	10-0	10-2	11-6	13-5	16-3	15-0	15-6	16-3	15-6	16-2	...	...
14. " Mexico	"	19-2	19-3	17-3	10-9	10-0	14-0	15-1	17-5	18-7	19-3	18-8	22-2	21-2	19-6	17-6	...	...
15. " Spain	"	11-1	10-1	9-1	8-8	7-3	6-1	5-9	3-9	2-5	...	...	...	...	...	...	...	...
16. " U.S.A.	"	54-1	46-4	41-4	21-1	20-8	24-2	24-8	30-8	36-0	38-9	...	...	...	...	...	...	...
17. " World	"	145-0	137-2	113-3	95-9	96-6	110-3	114-2	122-3	140-9	147-7	147-7	135-2	129-4	129-2	132-1	...	...
18. Stocks: U.K.	"	13-5	17-8	2-3	29-2	29-2	19-7	21-4	21-4	7-7	7-0	9-9	9-9	9-7	9-4	9-8	9-6	...
19. " U.S.A.	"	49-7	93-6	137-5	159-4	184-3	210-2	201-6	155-9	117-0	168-0	117-0	158-1	145-2	133-5	119-4	...	...
20. Price: " Soft Foreign," London	£ per ton	23-25	18-05	13-02	11-00	11-68	10-93	14-25	17-60	23-33	16-8	11-9	14-91	14-37	15-25	16-18	16-15	14-9
SPELTER																		
21. Production: Holland	Th. metric tons	2-1	9-9	1-6	1-3	1-5	1-7	1-1	1-3	2-5	...	...	...	...	...	...	...	...
22. (Smelter) Belgium	"	16-5	14-7	11-2	8-0	11-4	14-6	15-3	16-8	18-8	22-0	22-1	18-4	18-1	17-9	18-6	...	...
23. " Canada	"	6-8	9-2	9-0	6-5	7-0	10-3	11-3	11-4	12-8	16-8	17-1	16-3	17-0	13-4	15-0	...	...
24. " Mexico	"	1-8	2-5	2-2	2-2	2-2	2-4	2-2	3-5	3-5	16-8	17-1	16-3	17-0	13-4	15-0	...	...
25. " Germany	"	6-8	8-1	3-8	3-5	4-2	6-1	10-4	11-5	13-6	14-4	14-5	16-5	16-5	16-4	16-9	...	...
26. " Poland	"	14-1	14-6	10-9	7-0	6-9	7-7	7-1	7-9	9-2	9-0	8-8	9-0	9-0	9-1	9-5	...	...
27. " Australia	"	4-4	4-7	4-6	4-5	4-6	4-6	5-7	6-0	5-9	...	...	...	...	...	...	...	...
28. " U.K.	"	4-9	4-1	1-8	2-3	3-5	4-3	5-4	5-5	5-2	11-3	11-3	11-5	9-7	9-5	9-9	...	...
29. " U.S.A.	"	47-3	37-7	22-1	15-7	23-2	27-5	31-8	37-4	42-1	47-0	44-2	27-5	29-3	29-3	33-3	...	...
30. " World	"	121-5	116-7	83-4	65-3	82-2	97-7	111-2	123-1	136-3	145-0	142-9	123-5	123-8	118-6	128-5	...	...
31. Stocks: U.K.	"	4-5	12-0	2-1	16-6	13-2	7-0	10-9	8-2	17-2	20-2	20-2	22-2	23-4	22-7	24-5	24-5	25-5
32. " U.S.A.	"	70-1	130-2	117-7	113-2	95-7	108-7	76-1	40-8	58-8	38-8	58-8	148-6	144-4	132-9	131-1	14-34	13-9
33. Price: G.O.B., London	£ per ton	24-88	16-84	12-45	13-58	15-67	13-87	14-08	14-90	22-25	15-8	15-9	14-14	13-47	14-04	15-07	14-34	13-9
34. Production: Bolivia	Tons	3,862	3,179	2,562	1,715	1,267	1,719	2,264	2,006	2,085	2,586	2,802	1,663	1,647	1,468	2,663	...	...
35. (exports) Dutch Ee Indies	"	2,993	2,909	2,290	1,307	1,201	1,557	2,060	2,640	3,315	3,197	6,335	1,420	1,394	1,542	1,918	1,455	...
36. " China	"	565	572	496	617	675	679	783	889	871	1,005	1,147	980	1,050	...	...	...	...
37. " Belgian Congo	"	81	732	12	57	185	384	540	624	774	780	2,506	679	603	619	842	...	...
38. " British Malaya	"	5,781	5,331	4,576	2,479	2,075	2,838	3,830	5,567	6,462	5,836	8,942	3,539	2,852	2,575	4,252	2,450	...
39. " Nigeria	"	895	724	602	355	314	416	586	794	870	596	1,642	646	258	250	...	...	...
40. " Siam	"	828	922	1,037	772	860	882	815	1,058	1,365	1,191	1,928	1,176	1,599	1,839	1,112	686	...
41. " World	"	15,582	14,251	12,367	8,267	7,583	9,600	12,258	15,009	17,242	17,000	27,100	11,500	10,700	9,800	13,600	...	...
42. " Quota of restrg. countries	% of std. quanty.	...	...	...	87-7	42-8	32-6	45-0	58-8	92-5	107-5	110-0	45-0	45-0	45-0	45-0	45-0	45-0
43. Consumption: U.K.	tons	2,518	1,883	1,745	1,542	1,664	1,756	1,186	1,822	2,164	2,720	2,150	1,209	1,287	1,773	1,884	1,504	...
44. " U.S.A.	"	7,298	6,385	5,297	2,938	4,899	3,733	5,191	6,304	7,222	5,321	6,897	3,751	3,708	4,728	4,708	...	...
45. " World	"	14,834	13,450	11,825	8,758	11,042	10,258	12,442	13,392	16,442	15,200	17,000	10,100	11,200	13,100	14,000	...	...
46. Stocks: World Visible supply	£	32,449	46,623	59,247	55,903	29,135	17,107	13,841	22,695	25,711	23,327	25,711	29,447	30,871	30,869	30,359	26,532	...
47. " Ratio to annual cons.	%	17-7	27-7	41-8	53-2	22-2	13-9	9-3	14-1	13-0	13-0	14-0	20-0	20-0	21-0	20-0	20-0	...
48. Price: Std. cash, London	£ per ton	203-9	141-8	118-6	138-0	194-8	230-4	225-7	204-6	242-3	190-7	190-6	192-7	193-1	193-9	207-1	244-6	...

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	TUTICORIN	MOMBASA
BOMBAY	COCHIN	NAIROBI
MADRAS	RANGOON	NAKURA
KARACHI	MANDALAY	KISUMU
CHITTAGONG	COLOMBO	ENTEBBE
AMRITSAR	KANDY	KAMPALA
CAWNPORE	NUWARA ELIYA	JINJA
DELHI	ADEN	TANGA
LAHORE	STEAMER POINT, ADEN	DAR-ES-SALAAM
	ZANZIBAR	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.

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 PIONEER LIFE

ASSURANCE COMPANY LTD.

Chief Offices:
31 Dale Street, LIVERPOOL

Established
1891

Assets Exceed:
£1,000,000

Claims Paid Exceed:
£2,000,000

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

THE ECONOMIST

Commercial History & Review of 1938

The Seventy-sixth of the Series which began in 1863

Vol. CXXXIV

SATURDAY, FEBRUARY 18, 1939

No. 4982

	Page		Page		Page		Page
Introduction:		WESTERN EUROPE:		AMERICA:		RAW MATERIALS:	
From Peace to War		France	16	United States	28	Coal	42
Economy	3	Germany	17	Argentina	29	Oil	43
United Kingdom:		Italy	18	Brazil	30	Vegetable Oils and	
INDUSTRY AND		Belgium	19	Chile	30	Oilseeds	44
TRADE	4	Spain	19	Uruguay	30	Rubber	44
Agriculture	4	Portugal	20	Colombia	31	Copper	45
Overseas Trade	4	Holland	20	Ecuador	31	Lead	46
Industrial Profits	5	Switzerland	21	Peru	31	Spelter	46
Commodity Prices	6			Bolivia	31	Tin	48
MONEY & BANKING:				Paraguay	31	Cotton	48
The Money Market	7			Venezuela	32	Silk	49
Bank Clearings	8	EASTERN EUROPE:		Mexico	32	Wool	50
The Foreign Exchanges	8	Hungary	21			Other Textile Fibres	50
Gold Output and Move-		Czecho-Slovakia	22	OTHER COUNTRIES:			
ments	9	Poland	23	Turkey	32		
INVESTMENT:		U.S.S.R.	23	Japan	32	MANUFACTURES:	
New Capital Issues	10	Roumania	24	China	34	Iron and Steel	52
The Stock Exchange	10	Jugoslavia	24	Egypt	34	Engineering	53
LABOUR CONDITIONS	11	Greece	25			Shipping and	
Overseas Countries:				Industry and Trade:		Shipbuilding	54
BRITISH EMPIRE:				FOODSTUFFS:		Motors	55
Canada	12			Grain	35	Building	56
Australia	12	NORTHERN EUROPE:		Sugar	36	Chemicals	56
New Zealand	13	Denmark	25	Tea	37	Cotton Textiles	57
India	14	Sweden	26	Cocoa	38	Wool Textiles	57
South Africa	14	Norway	26	Coffee	38	Rayon	58
Eire	15	Finland	27	Livestock and Meat	38	Transparent Paper	59
Palestine	15	Latvia	27	Dairy Produce	39	Leather and Footwear	59
British Guiana	16	Lithuania	27	Eggs and Poultry	40	RETAIL TRADE	59
		Estonia	28	Fruit and Vegetables	40	Statistical Appendix	60
				Fish	41		

From Peace to War Economy

FOR those who measure economic progress in terms of a rising standard of living, who wish to see human ingenuity applied to the improvement of the lot of the poor, the past year has been full of disappointments, and the best that can be said for it is that the worst fears have not come true.

Instead of the application of the fruits of science to the improvement of human well-being, the past year has witnessed a further transference of economic resources from peace-time to military uses. Indeed, country after country has been caught in the maelstrom of a mad and hectic armaments race, the end of which is not yet in sight. Peace-time standards of commerce and trade have been thrown overboard and military efficiency has taken the place of material well-being as the criterion of progress.

A year ago the title of this introduction was "A Check to Recovery." Commercial activity in most parts of the world was then declining after a long period of recovery in most countries of the world. The rising tide of unemployment of men and machinery was indeed checked by the middle of last year, before the world was again engulfed in a serious slump. In the United States recovery made rapid headway from the spring to the end of the year, and, by slowing down the fall in the prices of primary products, the growing demand for these materials across the Atlantic prevented a further serious impoverishment of the raw material producing countries.

But while recovery in the United States probably did

much to prevent the world from sinking into the depth of depression, the growth of expenditure on armaments was a no less potent factor in maintaining activity. If the guns produced in 1938 are prevented from going off, the armaments race will have taught the world one important lesson which economists have long preached in vain—the fact that government expenditure can influence the course of the trade cycle.

The recession in progress at the beginning of 1937 has thus been checked in most countries in the course of the year. In the United States public spending on a large scale made the wheels of commerce turn faster; in the United Kingdom and many other European countries deterioration was also checked by increased public spending, but on guns instead of on butter. By the end of the year Germany could boast the complete elimination of unemployment, but how many of those in employment were engaged in ministering to human wants? In France there were at least signs of improvement towards the end of the year, but so far the increase in production has been concentrated mainly on the armament industries.

In view of the piling up of armaments, it is difficult to view the future with any confidence. The only encouraging feature is the fact that the balance of forces is gradually becoming less unequal as a result of the awakening of the democracies, Britain, France and the United States. But it would be hazardous to predict what the year 1939 has in store for the world.

United Kingdom

INDUSTRY AND TRADE

THE year 1938 opened with Britain and the world in the midst of recession, which brought *The Economist* index of British Business Activity down from 113½ (1935 = 100) in September, 1937, to 102 in May, 1938. The downward movement in activity was even more rapid than in 1929-30, partly because of the accumulation of heavy stocks of semi-finished and finished goods in 1937, which forced many industries to curtail their output below the level of current consumption. The recession was short and sharp, for in the early summer there were signs that its force had been broken, before it had developed into a serious slump, and when the general level of business activity still exceeded that of the pre-depression year of 1929. There was a slight but fairly widespread improvement in the autumn, but towards the end of the year the direction of the business curve was again slightly downwards, and by December *The Economist* index of Business Activity had fallen to 100½. At the end of the year the general outlook seemed to point to a further but slow decline in business activity rather than to another rapid fall such as occurred in the early months of 1938. The main trends in British business activity since 1929 are indicated in the table below:—

Indices of production— (1924 = 100)	1929	1932	1937	1938
London and Cambridge Economic Service	110.6	84.9	124.0	109.5
Board of Trade (1930 = 100)	108.5	90.5	132.8	†
Output of—				
Coal (Mn. tons)	258	209	241	228
Pig iron (Mn. tons)	7.6	3.6	8.5	6.7
Steel (Mn. tons)	9.6	5.3	12.9	10.4
Rayon yarn and waste (Mn. lb.)	56.9	72.5	154.8	140.3
Electricity by Authorised Undertakings (Mn. kw. hrs.)	10,294	12,241	22,902	24,376
Shipbuilding: tonnage commenced ('000 tons)	1,650	72	1,037	505
Private motor cars (number) (a)	182,352	171,243	389,633	342,390
Index of wage rates (Ministry of Labour) (1924 = 100)	98.8	95.9	101½	106½†
<i>The Economist</i> Indices of Business Activity (1935 = 100)—				
Employment, all trades	98.5	90	111.0	110
Coal consumption	103	90	109.5	102.5*
Electricity consumption	68	71.5	126.5	131.5
Merchandise on railways	127	86	113	95*
Commercial motors in use	76	86	111	114.5*
Postal receipts	68	84.5	106.5	110
Building activity	60	57	98.5	90
Iron and steel consumption	97	59.5	142	112
Cotton consumption	111	94	116	89*
Imports of raw materials	98.5	84	121	106.5*
Exports of manufactures	137.5	82	112	98*
Movement of shipping	108.5	94.5	109	105
Provincial bank clearings	91	86.5	105	101*
London bank clearings	109	86.5	101.5	95*
Complete Index	98.5	84	112	104.5*

* Provisional. † For the first nine months of 1938 the figure was 123.4, as compared with 131.6 in the corresponding period of 1937. ‡ Third quarter of 1938. (a) Year ended September 30th.

Industrial relations were not marred by any serious conflicts last year, and the number of working days lost through disputes was smaller than in any year since 1934. Despite the decline in business activity, employment showed remarkable stability, and the estimated number of insured persons aged sixteen to sixty-four in employment in Great Britain in December was actually slightly higher than a year earlier, when the weather on the day of the count was unfavourable to outdoor work. Weekly wage rates, as measured by the Ministry of Labour's index, continued to rise until the second quarter of 1938, when the upward trend came to a halt.

So far as individual branches of activity are concerned, the past year witnessed a sharp setback in the textile and other mainly exporting industries; the volume of domestic exports was 11 per cent. lower last year than in 1937. There was also some decline in house building and in other industries supplying the home market, and the iron and steel industry experienced a severe slump, the aftermath of the hectic activity in 1937 when supplies appreciably exceeded consumption. But the decline in exports and in commercial investment at home was accompanied by a further substantial increase in defence expenditure.

Agriculture

THE contrasts of weather in 1938 provided exceptionally severe conditions for the home farmer. A long spring drought kept the pastures bare until June, and reduced the total yield of hay by more than a third compared with 1937. Corn crops did well, however, and yields per acre of barley and wheat were the highest since the present records were begun in 1885. The mild weather which accompanied the drought gave promise of a good fruit year, but April brought sharp night frosts. Exceptionally heavy rainfall in the autumn severely reduced the sugar content of the sugar beet crop; but the mild weather which lasted until Christmas somewhat compensated the livestock farmer for the shortage of hay.

The acreage under all arable crops, with the exception of turnips and swedes, was larger in 1938 than in 1937; the increase was most marked in the cases of barley and potatoes. There was again a slight fall of less than 1 per cent. in the number of dairy cows, while the number of other cattle continue to rise slowly, in spite of lower prices in the beef trade. There was another sharp increase of 10 per cent. in the number of ewes kept for breeding, and marketings of sheep and lambs at representative British markets were 11 per cent. larger in 1938 than in 1937; as a consequence, prices of British lamb and mutton fell continuously from the end of 1937 and sheep breeders and feeders had a very poor year. The June returns also revealed a decline of 2 per cent. in the number of pigs, and of 1 per cent. in the number of poultry. The most serious feature of these returns was the decline compared with the previous year of 6 per cent. in the number of agricultural workers in Great Britain. In the last ten years the number of agricultural workers in Great Britain has fallen by 195,600, or by 22 per cent.

The general fall in wholesale prices since the autumn of 1937 was reflected in a somewhat smaller fall in British agricultural prices. Prices of potatoes, barley and sheep declined sharply, and those of other cereals fell also to the advantage of the livestock farmers; growers of wheat were protected by the operations of the wheat quota. Wholesale milk prices were raised by 4d. per gallon in July, and this increase was consolidated in the contracts negotiated for 1938-39.

The long-promised Milk Bill was published in the autumn of 1938, providing for the setting up of an independent Milk Commission, pasteurisation at the option of local authorities, and for not more than ten experiments in the rationalisation of milk rounds. Mild though these proposals were, the Bill was shortly withdrawn for further consideration in deference to pressure from farming interests. After a lapse of two years the revised system of bacon contracts came into force in December, 1938; the new Act provided the pig feeder with a price based only on the cost of feeding stuffs, irrespective of the fluctuations in the price of bacon. In spite of this inducement, the Pigs Marketing Board obtained contracts for only 1.4 million pigs for 1939. The slump in barley and sheep prices led the Government to double the barley and oats subsidy and to place under the control of the Empire Beef Council the imports of lamb and mutton from January, 1939. At the close of 1938 it was announced that the Government was undertaking a review of the whole of their agricultural policy.

Overseas Trade

THE fall in business activity in the latter months of 1937 and the early months of 1938, both in the United Kingdom and in the United States, was bound to cause a decline in British overseas trade from the high levels of

1937. In view of the large stocks of raw materials accumulated in the boom of 1937 and of the subsequent fall in prices of many raw materials, the fall of 10 per cent. between 1937 and 1938 in the value of British imports and exports is smaller than might have been expected. As the table below shows the greater absolute fall in imports brought a reduction in the import surplus:—

Year	Imports	British Exports	Re-exports	Total Exports	Import Surplus
1929	1,220.8	729.3	109.7	839.0	381.8
1930	1,044.8	570.6	87.0	657.5	387.3
1931	661.3	390.6	63.9	454.5	404.8
1932	701.7	365.0	51.0	416.0	285.7
1933	675.0	367.9	49.1	417.0	258.0
1934	731.4	395.9	51.2	447.1	284.3
1935	756.0	425.8	55.3	481.1	275.9
1936	847.8	440.6	60.8	501.4	346.4
1937	1,027.8	521.4	75.1	596.5	431.3
1938	920.4	470.9	61.6	532.5	387.9
Per cent. change, 1937-38	-10.4	-9.7	-18.0	-10.7	-10.3

In fact, the decline in business activity and in the value of British overseas trade was checked in the summer of 1938, and for the latter half of the year the value of both imports and exports was comparatively stable, except for a resumption of the downward movement in December.

The next table gives the value of British imports and exports by the three main classes:—

	(£000,000)							
	1929		1932		1937		1938	
	Re- tained Im- ports	British Ex- ports	Re- tained Im- ports	British Ex- ports	Re- tained Im- ports	British Ex- ports	Re- tained Im- ports	British Ex- ports
Food, drink and tobacco	509.5	55.7	357.7	31.5	417.8	38.8	419.1	35.9
Raw materials and ar- ticles mainly unmanu- factured	285.3	78.9	141.0	43.6	278.4	64.6	217.3	56.9
Articles wholly or mainly manufactured	305.5	573.8	346.0	276.4	250.5	404.7	215.5	365.4

The value of imported food has altered little in the last two years; the value of imported raw materials declined by £60 millions, due very largely to the depression in the textile trades and to the curtailment of iron and steel imports. The fall in exports, though fairly general, was concentrated on textiles, iron and steel and non-ferrous metals, as is shown in the table below:—

Item and Measure	1929	1932	1937	1938
Coal, Iron and Steel Products				
Coal	60,267	42,750	40,338	35,861
Iron and steel scrap	424	407	234	186
Pig iron and ferro-alloys	545	128	167	101
Railway materials	610	106	208	158
Total iron & steel manufactures	4,380	1,979	2,574	1,918
Textile machinery	127	63	73	71
Total machinery	562	302	438	460
Locomotives and parts	40,316	3,154	7,550	8,376
Motor vehicles and chassis	26,527	29,194	105,658	89,668
Textile Goods				
Cotton yarns	166,638	141,663	159,028	122,933
Cotton piece-goods	3,672	2,198	1,921	1,366
Wool tops	32,737	42,754	40,180	32,458
Woolen and worsted yarns	46,696	38,025	32,323	27,793
Woolen tissues	108	54	80	59
Worsted tissues	47	28	43	32
Linen piece-goods	72	66	83	52
Leather boots and shoes	1,006	640	394	375
Paper and cardboard	5,047	3,870	4,390	3,529

The volume of coal exports declined, although the value was maintained, and exports of machinery increased, due partly to the long time-lag between the placing of orders in 1937 and their execution in 1938. The Board of Trade estimates of the average volume and value of British trade reveal that the average price of imports declined steadily from the third quarter of 1937 throughout 1938, while the average price of British exports

Industrial Profits

THE end of 1938 has seen the beginning of a decline in industrial profits, which reached their peak about the middle of 1938—nearly a year after the peak in business activity. This was to be expected, as there is a time-lag averaging 10-11 months between the middle of the year in which profits are earned and the date on which they are reported. The course of reported profits is shown by the *Economist* index, which is given below. The construction of this index was explained in *The Economist* of January 14, 1939.

COMPANY REPORTS PUBLISHED IN CALENDAR YEARS 1928-38

Reports Published in Calendar Year	No. of Companies	Total Profits*		Chain Index (1928 = 100)
		Current Year's Reports	Same Companies, Preceding Year	
		£ Mn.	£ Mn.	
1928	1,709	179.6	167.6	100.0
1929	1,770	194.7	194.8	100.0
1930	1,932	197.5	198.8	99.4
1931	2,009	160.1	206.6	77.1
1932	1,998	143.3	175.0	63.7
1933	1,945	141.4	140.8	63.4
1934	1,975	168.8	144.8	73.9
1935	2,116	203.2	175.3	85.7
1936	2,186	239.1	212.2	96.5
1937	2,279	281.4	240.3	113.2
1938	2,389	302.7	284.4	120.7

* After debenture interest.

The profits of companies reported during the whole of 1938 were something like 20 per cent. above the level of 1928, compared with 13 per cent. in 1937. As compared with 1937, profits in 1938 were about 7 per cent. higher, but the rise was recorded mainly by companies reporting in the first half of the year. In the second half, beginning in August, there were net declines in reported profits as compared with the preceding year, though these declines were the result of averaging widely divergent movements, such as increases in coal, steel and shipping earnings, and declines in financial, land, investment, oil, tea, rubber and textile earnings. The following table gives the quarterly changes from 1928 to date, together with the number of companies on which the figures are based.

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	No. of Cos.	Profits: Change on prev. year %	No. of Cos.	Profits: Change on prev. year %	No. of Cos.	Profits: Change on prev. year %	No. of Cos.	Profits: Change on prev. year %
1928	504	+15.2	558	+1.3	237	+9.7	412	+3.1
1929	454	+1.5	639	-0.7	257	-3.0	410	+1.4
1930	516	+1.9	578	+8.6	329	-6.4	506	-18.1
1931	596	-10.6	619	-19.4	320	-35.5	474	-53.9
1932	543	-14.3	675	-21.8	303	-28.6	472	-2.9
1933	562	-8.9	612	+3.3	307	-35.5	464	+30.3
1934	547	-5.3	642	+19.2	318	-27.7	468	+32.9
1935	592	-4.6	694	+17.8	345	-12.2	485	+16.9
1936	569	-13.3	739	+4.6	382	+14.3	498	+15.2
1937	628	+11.9	765	+19.9	357	+19.2	549	+20.2
1938	646	+10.5	805	+12.9	374	-1.4	564	-4.4

* After debenture interest.

Our next table analyses the distribution of profits and the rate of return on capital for companies reporting in the fourth quarter, including many large concerns which make up their accounts on September 30th. These figures disclose a continued rise in the proportion of profits put to reserve, which is now well over a third.

The margin between profits earned and profits distributed is much greater to-day than it was in 1929. If it were part of directors' policy, this margin so far as it consists

DIVISION OF PROFITS (FOURTH QUARTER COMPANIES)

Reports issued during Fourth Quarter	Proportion of Profits (after deb. interest)			Rate of Payment on each Class of Capital			
	Paid in Pref. Div. %	Paid in Ord. Div. %	Put to Reserve or Carried Forward %	Debt-holders %	Preference %	Earned for Ordinary %	Paid on Ordinary %
1929 ...	16.0	66.0	18.0	5.29	4.7	13.5	10.6
1930 ...	21.9	60.2	17.9	5.19	4.5	10.3	8.4
1931 ...	43.1	76.9	Dr. 20.0	5.18	3.8	2.9	3.9
1932 ...	32.4	75.4	Dr. 7.8	5.16	3.6	4.4	4.9
1933 ...	23.4	64.3	12.3	5.04	3.2	6.2	5.2
1934 ...	19.6	59.9	20.5	4.95	3.7	9.9	6.8
1935 ...	19.0	55.2	25.8	4.84	4.5	11.6	7.9
1936 ...	17.5	53.5	29.0	4.75	4.9	14.2	9.2
1937 ...	15.7	51.6	32.7	4.59	5.4	18.2	11.2
1938 ...	13.9	48.8	37.3	4.47	5.0	18.7	10.6

of reserves in liquid form) could be used to cushion any decline in dividends. In the past few months, however, dividend reductions corresponding with the decline in earnings have been the rule.

Commodity Prices

UNDER the influence of the recession in British and world economic activity the trend of commodity prices remained downwards during the past year. The downward movement was arrested in the early summer, mainly under the impact of recovery in the United States, but, after a brief recovery, prices continued to fall.

As usual in recession the fall was most marked in the case of raw materials and least in finished goods. This tendency is strikingly revealed by the Board of Trade indices of average import and export prices. Thus, while the average price of our imports of raw materials fell by 10 per cent. between the fourth quarter of 1937 and 1938, that of exports of domestic manufactures fell by only 1.5 per cent. The comparative stability of the prices of finished goods, however, is not revealed by our own price index, which is based chiefly on raw materials and semi-manufactured goods.

The movement of the component series of *The Economist* index is shown below, on the basis of 1927:—

(1927 = 100)

Date	Cereals and Meat	Other Foods	Textiles	Minerals	Miscellaneous	Complete Index
Average 1929	96.9	85.8	92.2	95.6	90.5	92.4
" 1930	81.0	77.2	64.4	83.6	81.6	77.6
" 1931	68.7	65.3	50.0	73.1	68.4	64.9
" 1932	68.2	62.5	49.2	72.9	61.9	62.6
" 1933	64.4	58.7	50.9	77.2	65.6	63.1
" 1934	69.1	59.0	54.1	77.0	68.9	65.6
" 1935	69.9	60.6	57.0	79.8	74.8	68.6
" 1936	76.9	61.1	61.8	84.6	78.2	72.8
" 1937	90.6	67.4	67.9	103.7	84.0	82.5
" 1938	79.8	58.7	54.0	93.1	75.9	71.9
End Dec. 1931	69.0	65.7	52.8	76.7	66.2	65.8
" Dec. 1932	63.1	60.0	48.6	73.9	61.9	61.1
" Dec. 1933	64.5	56.7	53.3	77.4	68.1	63.9
" Dec. 1934	69.9	60.2	54.5	75.8	69.4	66.1
" Dec. 1935	71.9	61.7	61.7	82.3	78.2	71.4
" Dec. 1936	86.4	65.6	67.5	95.4	81.2	79.3
" Dec. 1937	90.7	63.0	59.7	93.5	79.7	77.2
" Jan. 1938	90.4	61.4	57.8	94.7	79.3	76.5
" Feb. "	88.7	60.7	57.3	94.4	78.2	75.6
" Mar. "	87.5	60.1	55.5	93.2	76.1	74.1
" Apr. "	85.5	60.2	54.0	92.0	76.5	73.3
" May "	87.3	58.5	51.2	87.8	74.7	71.5
" June "	86.5	57.6	51.5	91.2	75.2	71.9
" July "	82.9	57.5	53.5	93.1	75.2	72.0
" Aug. "	76.7	57.5	53.3	91.8	74.5	70.4
" Sept. "	72.4	58.1	53.9	94.0	75.3	70.2
" Oct. "	69.5	58.2	54.4	96.6	75.3	70.0
" Nov. "	65.9	57.6	53.2	94.9	75.3	68.6
" Dec. "	70.1	57.5	52.6	94.4	74.9	69.2

The Complete index fell by 10.4 per cent. between December, 1937, and the corresponding month last year. But the movements of the component series during that period were far from uniform. There was a sharp fall in the figure for cereals and meat, accompanied by a lesser

reduction in other foods, textiles and miscellaneous commodities, and a slight rise in the index for minerals.

Apart from the stability of the prices of finished goods compared with those of raw materials, the feature of the past year was the extent of the change in price relationships between individual raw materials and semi-manufactured goods. The prices of home-produced materials fell much less than those of many imported products. Iron and steel prices, for example, were maintained at boom levels throughout the year, in face of a sharp decline in demand.

The next table shows the movement of the constituent series of our complete index on the basis of the pre-war year 1913:—

(1913 = 100)

Date	Cereals and Meat	Other Foods	Textiles	Minerals	Miscellaneous	Complete Index
Average, 1930	113.4	122.9	99.1	101.6	101.5	106.8
" 1931	96.1	104.1	77.0	88.9	85.3	89.3
" 1932	95.4	99.6	75.7	88.6	77.1	86.1
" 1933	90.1	93.5	77.6	93.9	81.7	86.8
" 1934	96.7	94.0	83.2	93.6	85.7	90.3
" 1935	97.8	96.5	87.8	97.1	93.1	94.3
" 1936	107.5	97.3	95.2	102.9	97.4	100.1
" 1937	126.8	107.3	104.6	126.0	104.5	113.6
" 1938	111.7	93.5	83.2	113.2	94.4	98.9
End June 1934	95.7	93.4	81.5	93.6	86.1	89.7
" Dec. "	97.9	95.8	84.0	92.2	86.4	90.9
" June 1935	95.8	94.2	85.4	95.7	93.4	92.9
" Dec. "	100.6	98.3	95.0	100.1	97.3	98.2
" June 1936	98.2	93.8	91.4	98.2	96.9	95.9
" Dec. "	120.9	104.5	103.9	116.0	101.1	109.1
" June 1937	127.6	107.6	108.9	129.5	107.1	116.0
" Dec. "	126.9	100.4	91.9	113.6	99.2	106.2
" June, 1938	121.0	91.8	79.3	110.9	93.6	98.9
" Dec. "	98.1	91.5	81.1	114.8	93.2	95.2

The figures show that prices of raw materials and semi-finished products, on the average, again fell below the pre-war level of 1913 in the past year. With the exception of the figure for minerals, which includes the home-produced materials coal and iron and steel, the constituent series were all lower last December than in 1913, while all the series were appreciably lower than in 1929.

In addition to the Complete index, which is based on raw materials and on semi-manufactured goods, *The Economist* also publishes indices of raw materials alone, both for this country and for the United States. These figures are shown in the next table.

(September 18, 1931 = 100)

	Sterling Prices (Primary Products)		Dollar Prices	
December 30 1931	117.1		94.4	
December 28 1932	109.3		76.9	
December 27 1933	113.9		119.8	
January 2 1934	123.7		154.5	
March 27 1934	123.3		147.6	
June 19 1934	125.6		144.2	
September 25 1934	131.3		148.6	
January 1 1935	131.2		143.3	
March 25 1935	133.9		144.3	
June 24 1935	133.2		147.0	
September 30 1935	144.5		159.6	
December 30 1935	163.9		187.3	
March 31 1937	181.9		199.7	
June 30 1937	165.9		176.8	
September 22 1937	164.0		166.3	
December 29 1937	147.4		135.3	
March 30 1938	137.0		129.3	
June 22 1938	133.2		124.8	
September 28 1938	134.8		127.0	
December 22 1938	132.4		126.5	

The prices of many raw materials are very sensitive to changes in market psychology. Both indices clearly reveal

the effect of the improvement in "business sentiment" in the summer and the recurrence of pessimism in the autumn, due largely to the deterioration in international political relations.

The last table shows the annual movement of the constituent series of the complete *Economist* index since 1931 on the basis of 1924:—

YEARLY AVERAGE (1924 = 100)

	1931	1932	1933	1934	1935	1936	1937	1938
Cereals and meat	60.1	59.7	56.3	60.4	61.2	67.3	79.4	69.9
Other foods	61.2	58.6	55.0	55.3	56.8	57.3	63.2	55.1
Textiles	36.6	35.9	37.2	39.5	41.7	45.2	49.7	39.5
Minerals	61.2	61.0	64.7	64.3	66.8	70.9	86.9	77.9
Miscellaneous	64.8	58.6	62.1	65.2	70.8	74.0	79.5	71.8

Complete index 56.1 54.0 54.5 56.7 59.2 62.9 71.3 62.1

The Complete index for 1938 was the lowest since 1935.

MONEY AND BANKING

The Money Market

THE Money Market last year varied between a continuance of the quiet conditions, with low rates, which characterised it in 1937, and short periods of stringency with rising rates as a result of external influences and the vagaries of the calendar. Last year in this survey we wrote that "Interest, indeed, attached less to the efficacy of the machinery for maintaining cheap money than in the method of its operation." In 1938 the machinery's efficacy was severely tested, and the question of its ability to stand the strain is the outstanding consideration. It may be said at once that, having regard to the unusually grave political situation, and the big withdrawals of funds from London, the success achieved was remarkable.

The year opened with low discount rates and comfortable credit conditions which persisted throughout the first quarter. The news of the *Anschluss*, which had wide repercussions in the foreign exchange and stock markets, failed to ruffle the calm of Lombard Street, and even outside quarters were sufficiently supplied with funds for bond money to be available at $\frac{1}{8}$ per cent. That the calm was partly due to official intervention, for the Bank Return for March 16th showed an increase in Government securities and a rise of over £4½ millions in bankers' deposits, is possible, but the low rate for bond money from outside banks suggests that the flight of capital to New York was not of the extent indicated by the sharp fall in the sterling-dollar rate during the critical days. The first crisis of the year, therefore, did not provide a true measure of the adequacy of official tactics.

A better test came in May when a week-end of international tension supervened on a period of temporary stringency resulting from the return of capital to France after the publication of M. Daladier's decrees. The latter factor had already caused a momentary rise in bond money to $\frac{1}{4}$ -1 per cent., and the clearing banks had had to call in money to replenish their cash reserves, when the Central European situation suddenly took a turn for the worse. The fact that the crisis coincided with the week-end was in itself enough to prevent any serious dislocation, for by the time the markets reopened on the Monday the tension had relaxed. But the tactics of the authorities in offsetting the effect of the withdrawal of French funds by special purchases of bills probably explains why the political situation failed to cause even a slight intensification of the existing conditions.

The half-year passed without any untoward incident. The discount market had arranged that its payments for the bills allotted at the previous tender should be made on July 1st. This obviated any monetary discomfort on June 30th; but as July 1st was also a date when a call of £38 millions was made on the issue of the second instalment of the National Defence Loan, totalling £80 millions and offered at 98, some credit stringency was expected. In actual fact dividend disbursements of £11 millions reduced the sum to be found to £27 millions, which presented no difficulty as the banks were by then

eager purchasers of bills to make up for their very small purchases in June.

The severest test to which the machinery for maintaining cheap money was put came, naturally, in the September crisis. The strong desire for liquidity resulted in a sharp contraction in the usual demand for bills, and the average rate at which the Treasury bills were allotted at the weekly tenders rose from 10s. 5.87d. per cent. on September 2nd to 18s. 10.75d. on the 16th, 19s. 7.07d. on the 23rd, and £1 5s. 1.4d. on September 30th. At the same time the rate for the three months' bank draft rose from just over $\frac{1}{2}$ per cent. in the early days of September to $\frac{3}{4}$ per cent. in the middle of the month and 1½ per cent. on September 29th, while many market houses preferred to obtain their bond money from the clearing banks at the fixed charge of 1 per cent. rather than rely upon the rapidly dwindling supplies of outside money. In addition to the reluctance to take bills, the rise in the note circulation was another factor curtailing the supplies of credit. The Bank of England Return for September 28th showed an increase of as much as £21.7 millions on the week, for, besides the natural desire of the public for extra cash, in preparation of an emergency the banks had strengthened their currency reserves all over the country. This liquidity preference, whether shown in reluctance to undertake new commitments or in the desire for cash, taken in conjunction with the exodus of money to the United States, provided the authorities with a difficult problem; but that they were able to prevent any serious disturbance, by special purchases of bills and the rapid re-investment of the proceeds of the Exchange Account's gold sales, is shown by the reduction of only £1 million in bankers' deposits at the Bank of England in the week to September 28th. Moreover, once tension was eased, discount rates soon fell to their previous levels.

Shortly after this the clearing banks decided not to accept bills of local authorities as security for money market loans unless they were rediscountable at the Bank of England. Several municipalities had taken advantage of the low rates for bills to raise money in that way, as it was considerably cheaper than an overdraft; and during the crisis, when outside money was scarce, they were offered as security to the clearing banks, who questioned their legality and, still more, the expediency of encouraging local authorities to run up floating debts. But their ruling was arbitrary, for it excluded paper, such as Northern Ireland Treasury bills, which as security was above suspicion; and in December the Bank of England announced that, under certain conditions, it would extend its discounting facilities, hitherto limited to Glasgow, Liverpool, L.C.C. and Metropolitan Water Board bills, to those local authorities and other public bodies which had power to raise money by bills under Act of Parliament.

The final period of stringency was experienced at the very end of the year. In strong contrast to the previous year, when December 31st came without any borrowing by the market at the Bank of England, the market at the end of 1938 was forced to borrow sums estimated at as much as £45 millions. The chief reason for this unusually large borrowing was the incidence of December 31st. As it fell on a Saturday it meant that the market had to take up all the bills allotted on December 23rd before the year closed. Their corresponding maturities, moreover, were small as a result of their absence from tendering, and the official purchases of December bills, at the time of the crisis: The banks, too, were even less keen buyers of bills than usual, for the withdrawal of foreign funds, both in repatriations to France and in purchases of dollars, was making them more than usually anxious about the picture their cash position would make in their balance sheets. Finally, the authorities appeared to consider that an obviously temporary period of stringency did not merit the same neutralising action that had been taken on the previous occasions, for throughout the difficult week there was no evidence of any special purchases of bills. However, the practice, initiated in 1937, of offsetting the Christmas expansion in the note circulation by increasing the fiduciary issue, was repeated, an increase of £30 millions being announced on December 6th.

In brief, the history of the money market last year may

be summed up as follows: the most important influence was the withdrawal of foreign funds, which was the chief cause of the decline in deposits of the ten English clearing banks of £77 millions during the year; these withdrawals were covered by gold sales by the Exchange Account, which took over tap Treasury bills with the sterling proceeds, the consequent transfer from bankers' deposits to public deposits being only temporary (the more permanent effect—the reduction in tender bills—was only beginning to be felt when the year closed); finally, the fact that the fall in bankers' deposits did not involve a contraction in cash or calling-in of advances is evidence that, taking the year as a whole, supplies of money and credit were as plentiful as ever, and evidence, too, of the efficiency of the machinery for maintaining them. The current year will show how it will cope with the problem arising from the contraction in the tender issue of Treasury bills, which over the whole of last year amounted to £134 millions, and the ensuing fall in the ratio to deposits of the banks' discounts and call money which constitute their second line of liquid assets.

Bank Clearings

THAT the 1938 returns of London and Provincial bank clearings should show a fall not only on the previous year but also on 1936 is not surprising in view of the trade recession and the political uncertainty.

	1936	1937	1938
	(£ millions)		
Town clearings	35,039	36,719	33,862
Metropolitan clearings.....	2,040	2,162	2,075
Country clearings	3,538	3,805	3,673
Total, London clearings ...	40,617	42,686	39,610
Provincial clearings	1,394	1,472	1,258

Analysed quarterly, however, the London clearings, if they are any use at all as a barometer of business activity, showed some improvement as the year progressed. Thus, town clearings, which, as is well known, are mainly governed by Stock Exchange dealings, showed a fall of 10.8 per cent. in the first quarter, compared with the first quarter of 1937, and of 12.3 per cent. in the second quarter, were only 3.1 per cent. lower in the third quarter, while in the last quarter they were actually 4.2 per cent. higher than in the final quarter of 1937, when, of course, the trade recession was well under way. Somewhat surprisingly, metropolitan and country clearings were slightly higher in the first quarter, but in the last quarter were down by 3.4 per cent. and 4.5 per cent. respectively, so that the total London clearings showed a fall of 4.1 per cent. compared with the fourth quarter of 1937. In provincial clearings over the whole year, the biggest decline was shown by Liverpool with a fall of 24.3 per cent. compared with 1937, followed by a decline of 20.7 per cent. for Bradford, 15.9 per cent. for Manchester and 10.5 per cent. for Birmingham.

The Foreign Exchanges

FOR the first two or three months of last year conditions in the foreign exchange market were much the same as those obtaining in 1937, but later a complete reversal became apparent and London not only ceded to New York pride of place for refugee capital but even became suspect in view of the continued deterioration of sterling. At the same time, the return of confidence in the franc, which was accelerated after the appointment of M. Paul Reynaud as Finance Minister on November 1st, induced the repatriation of French funds so that the pound was pulled downwards from two directions. The result was that fluctuations in the sterling-dollar rate were wider than for some years, and the pound on December 31st was quoted at \$4.64½, compared with \$4.99½ on January 1st.

After an initial period of firmness in January and February, when there were rumours of a further devaluation of the dollar, the rate was fairly steady at an average of about \$5 to the pound throughout the first quarter, save for a

brief scurry at the time of the *Anschluss*, when it fell to \$4.94½. In the second quarter, which included the May crisis and the beginning of the repatriation of French funds, the rate was more often below \$5 than above, and by the end of the half-year was around the \$4.95 level. The next three months were a period of rapid depreciation. The opinion had been expressed that \$4.86 would mark the bottom of the pound's fall and that the authorities, helped by the psychological effect of "mint par," would be prepared to keep it at that level. This proved unjustified, for in the last days of August, a month before the international crisis was to wreak such havoc in the exchanges, the dollar was at one time quoted as low as \$4.84½. The trend of sentiment was thus clearly against the pound, and the rush of selling in the last week of September, which brought it down to \$4.60, was a momentary intensification for political reasons of a gradual readjustment to a value which was more in harmony with the United Kingdom's overseas trade position than that with which the year opened. The crisis carried it too far, and the relaxation of tension was promptly reflected in a recovery in the rate to around \$4.80 in the early days of October; but in November and December the tendency was downward in spite of covering operations in the latter month by speculators who had sold forward in the critical days of September. That the authorities were concerned at the continued pressure was shown by the unofficial request to the clearing banks in December to abstain from taking advantage of the premium of about 2½ cents for the three months forward dollar to make profitable "swap" transactions. At about the same time they were also requested to discourage the raising of credit against gold. It was the weakness of the pound, too, which led to the full reimposition of the embargo on issues of capital for transfer abroad, which was announced on December 20.

The extent to which the Exchange Account was forced to intervene in support of sterling is illustrated by the return of its gold holdings on September 30th, as shown in the following table:—

BRITISH MONETARY GOLD STOCKS, 1938

Quantity (million fine ounces):	Mar. 31	Sept. 30	Intervening Change
Bank of England	76.8	76.8	...
Exchange Account.....	42.5	21.7	— 20.8
Total	119.3	98.5	— 20.8
Value (£ millions: at 140s. per fine ounce):			
Bank of England	537.6	537.6	...
Exchange Account.....	297.8	151.8	— 146.0
Total	835.4	689.4	— 146.0

This shows that the Account lost £146 millions of gold during the six months from April to September, and further heavy losses must have been suffered in the last quarter of the year.

The other source of pressure on sterling, the repatriation of French funds, was also mainly confined to the second half of the year. After 1938 opened the franc was subject to a new crisis which forced the spot rate up to 155½ francs, while forward discounts were as wide as 2½ francs for one month and 6½ francs for three months. Speculation against the franc continued, and in early May M. Daladier's Government decided on a further devaluation, declaring that the sterling rate would never be higher than 179 f. In this object they were fairly successful, for the spot rate only rose above the limit agreed upon during the time of international crisis; but the forward outright rate for three months was on several occasions over 180 francs to the pound.

The May devaluation caused a certain amount of funds to return to France, but confidence in the state of French finances was still lacking, while the international situation checked the incipient repatriation movement. It was not until after the appointment of M. Paul Reynaud as Finance Minister, and the ensuing efforts to restore Budget equilibrium and increase production, that capital was persuaded to return on a large scale. The small improvement in the franc exchange since November is no measure of the extent to which funds have been repatriated; for the French Control has consistently prevented any big app

freely selling francs to meet the demand. A better indication is provided by the forward rate, which for one month was quoted at about par at the end of the year, and for three months was on the same date at a discount of only ½ franc, compared with 6 francs two months earlier.

Chief interest in the foreign exchange market last year was naturally centred in the weakness of sterling and the recovery of the franc, but movements in other currencies were not without importance. On the Continent, the decline in the pound was noted with some anxiety by countries which had pegged their currencies to sterling. Thus, the franc at the end of the year was maintaining a closer link to the dollar than the pound; the guilder left the sterling *bloc* during the crisis; and the Swiss franc was not allowed to follow the pound downward but showed a net appreciation of 4 to 5 per cent. during the year. The Scandinavian currencies, on the other hand, remained full members of the sterling *bloc*. The belga was at times subject to speculative attacks, but was successfully defended.

Outside Europe the free peso depreciated by nearly 17 per cent. against sterling, owing to the severe deterioration of Argentina's trade balance. In the Far East the Japanese yen was maintained at 1s. 2d., but the Shanghai dollar broke badly in the summer, falling to 7½d. in June, and at the end of the year was nominally quoted at about 8½d. Both countries intensified their exchange control measures during 1938. The introduction of a new currency into the Chinese territory occupied by the Japanese, with the object of obtaining the Chinese Government's monetary reserves, was an added pressure on the Shanghai dollar, which was already feeling the strain caused by the war and the consequent decline in foreign trade.

Gold Output and Movements

THE following table shows world gold production during each of the past two years, as estimated by the Union Corporation. No final figures for 1938 are available yet, but the figures given for South Africa, Canada and Australia are substantially accurate. The Russian returns for both years are uncertain, as no official figures are given.

	Thousand fine ounces	
	1937	1938
South Africa	11,735	12,160
U.S.S.R.	6,000	5,000
Canada	4,091	4,680
U.S.A.	4,089	4,250
Australia	1,380	1,570
Other countries	8,205	9,040
	35,500	36,700

Gold movements last year were complicated by various factors arising from the international situation. For the first few months, however, before the decline in sterling gathered up speed, dealings in the London bullion market were mostly governed by demand from hoarders, this tendency being stimulated at times by rumours of a further devaluation of the dollar. At one time in February the demand raised the premium over the American shipping parity to a point which was high enough to encourage arbitrage shipments from the United States. The distrust of the dollar, and, therefore, the strength of sterling, hid the fact that the pound was, on commercial standards, overvalued; and in May the unofficial embargo on loans against gold was raised, only to be reimposed, so far as spot gold was concerned, in December, and on forward gold shortly after the year closed. Towards the end of the year, too, the decline in sterling led to a record price of gold, amounting to 150s. a fine ounce at the fixing on November 26.

The effects of the crisis were threefold. In the first place, hoarders, contrary to their usual practice, switched over from gold to dollars, fearing that their gold holdings might be mobilised in the event of war; secondly, shipments both from South Africa to the United Kingdom and by arbitrageurs to the United States were suspended as a result of the confusion over war risk insurance; and thirdly, the authorities adopted the policy of keeping part of the country's gold stocks overseas.

The next table should be studied in the light of these considerations. The decline in imports from South Africa is counterbalanced by the earmarking of Transvaal gold since September by the Exchange Account at the South African Reserve Bank; and part at least of the exports to Canada may represent official shipments. The increased exports to the United States are clearly complementary to the disclosed losses of the Exchange Account resulting from its defence of sterling.

GOLD BULLION IMPORTS AND EXPORTS

	(£ millions)					
	1937			1938		
	Imports from	Exports to	Net Exports (+) or Imports (—)	Imports from	Exports to	Net Exports (+) or Imports (—)
India	13.3	...	— 13.3	26.0	...	— 26.0
South Africa	79.9	...	— 79.9	52.5	...	— 52.5
Australia	4.3	...	— 4.3	5.6	...	— 5.6
Canada	0.5	...	— 0.5	...	3.4	+ 3.4
Germany	10.0	0.8	— 9.2	6.9	...	— 6.9
Holland	1.5	5.1	+ 3.6	7.2	4.4	— 2.8
France	115.9	3.6	— 112.3	17.5	0.6	— 16.9
Belgium	2.4	7.3	+ 4.9	73.7	3.4	— 70.3
Switzerland	1.5	4.8	+ 3.3	2.6	19.1	+ 16.5
Russia	40.4	...	— 40.4	23.3	...	— 23.3
United States	1.0	168.8	+ 167.8	...	...	+ 216.9

The net results of gold movements so far as Great Britain is concerned, together with the imports and exports of gold coin, are shown in the following table:—

BRITISH GOLD IMPORTS AND EXPORTS

	Bullion		Specie			
			Foreign Coin		British Coin	
	1937	1938	1937	1938	1937	1938
Imports	£ millions 290.2	210.1	£ millions 2.8	12.8	£ millions 2.2	16.7
Exports	210.7	272.5	2.4	16.0	2.4	13.8
Import surplus ...	79.5	...	0.4	...	...	2.9
Export surplus ...	...	62.4	...	3.2	0.2	...

The practice of earmarking renders the above tables inconclusive. For, in addition to the earmarking at the South African Reserve Bank, already referred to, a large part of the imports from Belgium is believed to be earmarked on Belgian account, while it is known that the Exchange Account has made large gold sales, against the repatriation of French funds, which, according to the table giving movements by countries, have not yet been shipped. These two factors must outweigh the earmarking for Great Britain's account at the South African Reserve Bank, so that this country's net gold losses last year cannot be measured by the figure of £62.4 millions given in the returns.

The final table is taken from the Federal Reserve Bulletin's monthly compilation of the gold holdings of central banks. It does not include holdings of Exchange Funds which are only revealed at infrequent intervals. The British Exchange Account held gold to the value of \$1,489 millions on March 31st and \$759 millions at the end of September. The latest return for Italian gold holdings is for December, 1937, and the figure for that month is consequently repeated for subsequent months.

GOLD HOLDINGS OF CENTRAL BANKS AND GOVERNMENTS (\$ millions)

	1938 (End of Month)	January	March	June	September	November
England	2,689	2,689	2,689	2,689	2,689	2,689
United States	12,756	12,795	12,963	13,760	14,312	14,312
France	2,564	2,428	2,428	2,428	2,435	2,435
Germany	29	29	29	29	29	29
Holland	957	998	1,008	1,008	1,008	1,008
Belgium	599	531	481	539	584	584
Switzerland	687	698	679	690	699	699
Italy	210	210	210	210	210	210
Sweden	245	261	279	310	321	321
Norway	82	90	90	96	96	96
China	16	16	16	17	18	18
Japan	261	261	261	164	164*	164*

* October.

As so much gold is now held by Exchange Funds, the above table gives only a very incomplete picture of the

effects of last year's gold movements on central bank gold reserves. But it shows clearly that the United States made substantial additions to its gold holdings as a result of the crisis in September and the sharp decline in sterling in the last months of the year.

INVESTMENT

New Capital Issues

AN exceptionally low degree of activity characterised the capital market in 1938. The total of £153 millions of new money subscribed (calculated on our "old basis"—that is, offers by prospectus, offers for sale and issues to shareholders only) was the lowest of any recent year except 1931 and 1934. In the first of the accompanying tables, we analyse the amounts raised by different types of borrowers. Perhaps the chief feature of the year was the relative scarcity of subscriptions to new industrial companies, and even then the great majority of public industrial issues, mostly by existing companies, were for debentures and preference shares. The industrial equity made but rare appearances during the year—which showed, incidentally, a rising trend of interest rates. The level of non-gilt-edged borrowing, however, remained above that for the depression years 1931-33.

TOTAL BORROWING BY OFFERS TO PUBLIC AND TO SHAREHOLDERS ONLY
(Million £)

Calendar Years	British				Empire	Foreign	Total Issues	Index 1928 = 100
	Government	Home Corporations*	Others	Total Home				
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	51
1933	150.8	24.5	34.9	210.2	29.2	5.4	244.8	66
1934	44.1	36.1	57.5	137.7	29.9	1.5	169.1	46
1935	88.0	51.1	81.6	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	49.7	84.7	224.2	21.1	6.3	251.6	68
1938	75.9	24.9	52.2	153.0	24.3	2.3	180.1	49

* Including county and public board loans.

The main event of the year in the capital market was the issue at 98 of £80 millions British Government 3 per cent. National Defence Loan, 1954-58. A yield of £3 2s. 8d. per cent. was offered (against £2 11s. for the 1937 loan of £100 millions), and the loan succeeded much better than the first issue of Defence bonds in 1937.

Our second table, which includes placings by means of Stock Exchange introduction and the granting of permission to deal shows more clearly still how much new issue activity fell off as compared with 1937, which in turn was less active than in 1936. Stock Exchange introductions, which had been assuming an increasingly important rôle in the capital market, became less numerous as industrial enterprise declined.

TOTAL BORROWING, INCLUDING STOCK EXCHANGE "PERMISSION TO DEAL"
(Million £)

Calendar Years	British				Empire	Foreign	Total Issues
	Government	Home Corporations*	Others	Total Home			
1936	60.2	82.1	306.1	448.4	33.8	11.7	493.9
1937	143.1	45.3	199.1	387.5	63.4	7.1	458.0
1938	75.9	27.7	110.1	213.7	53.7	5.7	273.1

* Including county and public board loans.

Interest rates have been rising, and neither rates nor maturities have provided outstanding opportunities for conversion. During 1938 (as in 1937) the British Government effected no conversions, and the totals dealt with

CONVERSION ISSUES (MILLION £)						
	1932	1934	1935	1936	1937	1938
British Govt.	2,478.9	105.0	204.0	37.2	Nil	Nil
Other	31.8	136.9	108.2	109.7	58.5	23.6
Total	2,510.7	241.9	312.2	146.9	58.5	23.6

by other borrowers were lower even than in 1932, as we show in our third table. The largest conversion issues were, in January £10 millions 3½ per cent. stock by Canada, and in May £7 millions 3½ per cent. stock by Australia. In December, the issue of Australia 4 per cent. stock was for a relatively small amount, but significantly involved a higher yield than the stock replaced.

The Stock Exchange

ON balance security prices fell less severely in 1938 than in 1937. But it was an equally depressing and far more anxious year, with shrinking turnover and a downward drift in quotations punctuated only by political crises and the recoveries following them. The economic factor was uppermost for only a short while, with eyes turned towards America for signs of revival. But most of the time European politics were the prime consideration, owing to which scarcely any attention was paid to steadier business conditions at home since the summer, and an improved outlook in the United States of America, which in that country—but not in this—found reflection in brighter stock markets during the second half-year.

After running on a fairly even keel for two months, the market's first recession came in February on Mr Eden's resignation. A fresh and sharper plunge followed in March on the Austrian crisis. Pre-Anschluss prices had virtually been regained, when events in Czecho-Slovakia in May began a slower but just as severe decline. In June and July there was again some recovery. Then uneasiness over German military manoeuvres caused a general sagging, culminating in the crisis at the end of September. Quotations slumped all round, and finally jobbers in the gilt-edged market arranged minimum prices among themselves. After Munich, prices rebounded sharply. At the time much was made of the fact that pre-crisis price levels were exceeded, and in the following weeks further gains were made. But after mid-November an insidious deterioration set in, which slowly brought the end-of-year prices so near to the crisis level that in January, 1939, quotations did not have to fall far for that level to be broken through. In the following table we show the course of prices indicated by the Actuaries' investment index (December 31, 1938).

End of	Fixed Interest Securities			Ordinary Shares		
	2½% Consols.	Miscell. Indus. Debts.	Miscell. Indus. Pref.	Home Rails	Iron and Steel	Miscell.
December, 1933	131.6	181.7	111.6	82.9	48.0	80.3
" 1934	165.3	125.6	120.7	75.0	52.1	65.1
" 1935	154.5	124.8	120.6	64.9	67.8	75.2
" 1936	150.9	125.6	122.5	86.6	83.0	81.3
" 1937	132.7	121.5	115.6	70.6	65.9	66.4
January, 1938	136.2	121.6	116.5	67.7	64.3	66.0
February, "	138.2	121.8	115.6	61.9	59.8	62.8
March, "	130.7	121.3	113.2	57.8	57.1	58.5
April, "	132.2	121.0	113.1	62.0	59.6	68.6
May, "	131.9	120.8	112.5	51.1	50.1	57.9
June, "	131.5	120.4	112.8	50.4	54.3	60.5
July, "	134.5	120.9	114.5	39.3	51.7	61.0
August, "	131.9	121.0	114.5	38.2	48.9	58.9
September, "	119.1	118.7	111.6	34.2	45.4	53.7
October, "	127.8	119.7	112.4	37.6	55.6	59.0
November, "	126.6	119.7	111.4	33.7	53.8	59.1
December, "	125.3	119.6	110.5	35.0	54.1	58.3

The gilt-edged market alone began the year well; March, however, brought a sharp fall, and though recovery followed, the position at the early part of the year was never quite caught up. Conditions at the September crisis were unprecedented; prices were quoted very wide, and War Loan at one time was dealt in as low as 90. Among Dominions stocks, the only point of interest was the weakness of New Zealand issues which began with news of the

social security scheme. Fluctuations in Austrian and Czecho-Slovakian loans, and also in Japanese and Chinese bonds, were necessarily considerable.

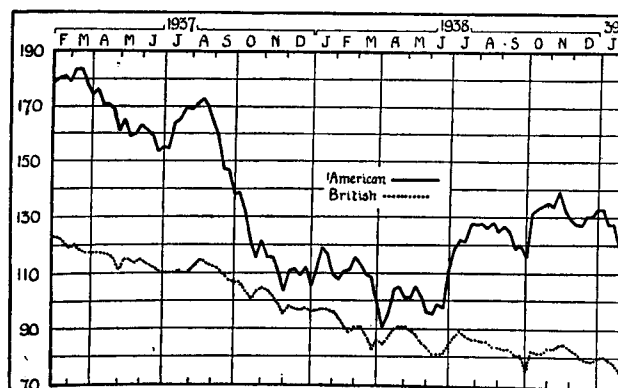
No group of stocks suffered more severely in 1938 than home rails. Values were virtually halved, and after a year of unsatisfactory traffics a surprise campaign for a "Square Deal" began in November. By failure to pay 5½ per cent. on the "C" stock for the third time, the L.P.T.B. became liable to be put under a receivership. But in January, 1939, application was made for an increase of fares, and until this is settled "C" stockholders are delaying action.

The weakness of industrials is indicated by the *Financial News* price index, which started at 95.7, reached a high of 97.2 soon after, a low of 73.7 on September 28, but ended the year no better than 80.4. Iron and steel shares (in which group the main event of the year was the re-financing of Richard Thomas in July) declined like other sections in spite of re-armament. Textiles were particularly weak, and breweries ended the year even lower than in September, the implications of certain legal decisions and the possibility of fresh taxation causing persistent declines. Oil shares followed their own course and declined only by about 8 per cent. on the year. A low point was reached in March on the Mexican Government's expropriations. The rubber market was stagnant, and while mining shares generally did not fall so much as industrials, and gains were by no means uncommon, the year showed declines or irregularity. The following chart shows the course of industrial share prices in this country and the United States of America:—

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.



Outside the actual stock markets the question of non-member share dealers was to the fore. The Sharepushing Bill was presented in July, requiring the licensing of dealers who are not members of the Stock Exchange or of recognised associations of dealers. The Association of Stock and Share dealers was registered, and the Stock Exchange formulated new rules for dealings between members and non-members.

LABOUR CONDITIONS

IN 1937 the average number of insured persons (aged 16-64) in work was 11,497,000, a new high record. In 1938 the persistence of recession brought the average down to 11,405,000, a small fall in the circumstances. Unemployment rose from a monthly average of 1,413,000 in 1937 to 1,791,000 in 1938; at the end of the year the two million mark was in sight; and the average percentage of insured persons (aged 16-64) out of work in 1938 was 12.66 compared with 10.75 in 1937. The first table shows monthly figures of employment and unemployment.

The rise in unemployment was most marked in the North-Western and Midlands Divisions and smallest in the South-Western, Northern and Scottish Divisions, though unemployment remained strikingly highest in Wales (24.7 per cent.), the Northern Division (18.3 per

EMPLOYMENT IN 1937 AND 1938

	Insured Employed (a)		Insured Unemployed (b)		Insured Unemployed (c)	
	1937	1938	1937	1938	1937	1938
January	000's 11,106	000's 11,319	000's 1,604	000's 1,828	% 12.3	% 12.8
February	11,187	11,338	1,552	1,810	11.9	12.7
March	11,242	11,390	1,505	1,749	11.5	12.4
April	11,394	11,412	1,368	1,748	10.5	12.3
May	11,387	11,406	1,390	1,779	10.7	12.5
June	11,613	11,369	1,306	1,803	10.0	12.8
July	11,623	11,413	1,321	1,773	10.1	12.9
August	11,672	11,447	1,294	1,759	9.9	12.7
September	11,707	11,429	1,271	1,799	9.7	12.9
October	11,664	11,455	1,328	1,781	9.9	12.5
November	11,580	11,428	1,432	1,828	10.7	12.7
December	11,444	11,452	1,584	1,831	11.8	12.7
Average ...	11,497	11,405	1,413	1,791	10.75	12.66

(a) Estimate of number of insured persons aged 16-64 in employment in Great Britain (excluding Agriculture) with allowance of 3½ per cent. absence for sickness, etc.

(b) Insured persons aged 16-64 unemployed in Great Britain.

(c) Percentage unemployed among insured workers aged 16-64 in Great Britain. * Revised procedure for counting unemployed introduced.

cent.), the North-Western (17.8 per cent.) and Scotland (16.3 per cent.). In London and the South-Eastern and South-Western Divisions the unemployment percentages ranged about 8 per cent. compared with between 6 and 7 per cent. in 1937.

In the cotton industry the average percentage rate of unemployment rose from 11.5 in 1937 to 26 in 1938. Unemployment in coal-mining rose only slightly over the year, but in pig-iron manufacture the rate rose from 10 per cent. to 16 per cent., in iron and steel manufacture from 11 per cent. to 21 per cent., and in the tinplate industry from 13 per cent. to nearly 40 per cent. In most branches of engineering the increases in the rate of unemployment over the year were small. In shipbuilding and repairing the rate fell from 24 per cent. to 21 per cent.

Average weekly full-time rates of wages, in industry and agriculture, continued to rise, the increase over 1937 being between 1 and 1½ per cent. After May, however, when the delayed impetus of the activity of 1937 slackened, wage decreases more than counterbalanced wage increases, and there was probably an appreciable rise in short-time working, which suggests that actual earnings in 1938 were distinctly lower than in 1937. The next table gives details of wages, cost of living and trade disputes:—

WAGES, PRICES AND TRADE DISPUTES, 1937 AND 1938

	Wages (a)		Cost of Living (b)		Trade Disputes (c)	
	1937	1938	1937	1938	1937	1938
January	98½	102½	151	159	000's 306	000's 103
February	99½	103	151	157	84	133
March	99½	103	151	156	220	113
April	100	103½	151	154	480	151
May	100	103½	152	156	814	185
June	100	103½	152	155	111	175
July	100	103½	155	159	512	80
August	100½	103½	155	156	228	90
September	101½	103½	155	156	228	90
October	101½	103½	158	155	285	90
November	102½	103½	160	156	152	90
December	102½	103½	160	156	45	29
Average ...	100½	103	154	156	350	110

(a) Index (1924 = 100) compiled by Prof. Bowley, eliminating seasonal fluctuation.
(b) Ministry of Labour Index for 1st of month (July 1, 1914 = 100).
(c) Number of working days lost.

The cost of living index at the end of 1938 was four points below the December, 1937, figure, mainly due to falls in food prices. Real wage rates were higher in 1938 than for several years, though total earnings were falling off. Industrial relations were peaceful, the number of trade disputes being only 866, affecting a quarter of a million workpeople, compared with 1,129, affecting 610,200 in 1937. There were no major disputes. All in all, apart from the spreading shadow of unemployment, 1938 was a remarkably good year in the labour world: conciliation machinery worked well, holidays with pay were widely conceded and officially approved by the Amulree Committee; and twelve months of bad trade were weathered with no serious attacks on wage levels.

Overseas Countries

British Empire

Canada

THE economic record for 1938 was not wholly satisfactory. There was no serious slump, but hopes of making fresh headway towards real prosperity were not fulfilled. The Bureau of Statistics index for the physical volume of business (1926=100) was 112.7 for the year, a decline of roughly 9 per cent. from the 1937 figure. The most serious adverse factor was the continuance of grave international disturbances and tensions and the further development of economic nationalism in various countries. These conditions operated to diminish Canada's export sales.

Canadian industry also suffered from the serious recession in the United States during the earlier part of the year. Curtailed exports caused a lowering of purchasing power. Crops were reasonably good and there was a substantial increase in the grain yields of the prairie provinces, but, as it was accompanied by a sharp drop in the price of grain and other farm products, rural purchasing power in the second half of the year was rather lower than twelve months before.

Industry.—The mining industry continued to be the most reliable buttress of the national economy, and the output of established mines was well maintained. The estimated value of mineral production in 1938 was \$440,634,000, compared with \$457,359,092 in 1937, the 4 per cent. decline being largely due to lower base metal prices. The newsprint and lumber industries had a difficult year. There was an improvement in the fishing industry; but conditions in manufacturing were variable. The production of iron and steel declined sharply and most textile mills operated at well below capacity. Equipment and machinery firms, however, were reasonably busy and farm implement firms had more orders than in any recent years.

Agriculture.—The wheat crop was the largest for any year since 1932, amounting to 350,010,000 bushels compared with 180,210,000 bushels in 1937. The yield of the other principal field crops (with the 1937 figure in brackets) was as follows: oats, 371,382,000 bushels (268,442,000); barley, 102,242,000 bushels (83,124,000); rye, 10,988,000 bushels (5,771,000); mixed grains, 39,161,000 bushels (36,169,000). The total value of field crops is estimated at \$528,860,000 compared with \$556,220,000 in 1937, and total agricultural income at \$1,026 millions compared with \$1,054 millions.

Foreign Trade and Prices.—Foreign trade experienced a sharp decline. In the first eleven months of 1938 exports were valued at \$886,273,000, a fall of 15.3 per cent. compared with the corresponding months of 1937, and imports at \$633,165,368, a fall of 16.2 per cent. The new trade treaty with the United States is expected to stimulate exports. The trend of commodity prices was almost continuously downward, and in December the index of wholesale prices of the Bureau of Statistics (1926=100) was 73.3, compared with 82.7 in December, 1937, a decline of more than 11 per cent. The most serious fall was in vegetable products. The cost of living index showed no similar decline, being 83.5 in December compared with 84.0 for January.

Finance.—The Federal revenues have fallen off slightly, the yield for the first three quarters of the current fiscal year, that is, up to December 31, being \$394,821,748 compared with \$402,283,545 in the parallel period of 1937. Expenditure in the same period totalled \$366,901,152 compared with \$361,874,524. The Budget position was therefore worse by about 2½ million dollars with a quarter of the year yet to run. The debt embarrassments of the Western Provinces are still acute.

Employment was fairly well maintained. In the first eleven months of 1938 the number of wage earners in employment averaged 2,303,000, with about 400,000 unemployed on the average.

Australia

ECONOMIC activity in Australia continued at a high level despite adverse developments abroad. The large volume of exports in the year 1936-37 resulted in considerably higher imports in 1937-38 and a corresponding stimulus to business

activity of all kinds. Customs revenue was buoyant and direct taxation showed a marked increase in yield. Unemployment fell, the percentage of trade union members unemployed falling from 9.9 in March, 1937, to 8.0 in March, 1938, and then rising slightly to 8.6 in the June quarter. During the later part of the year a sharp fall in the prices of Australia's primary products had an adverse effect on the export trade.

Wool, Wheat and Gold.—The wool clip totalled 1,010 million lbs. in the 1937-38 season, compared with 975 million lbs. in 1936-37. The value of wool per lb. in 1937-38 averaged 1s. 1.7d. for greasy, and 1s. 10.0d. for scoured, compared with 1s. 5.4d. and 2s. 0.0d., respectively, in 1936-37. The area under wheat for the 1937-38 season was 13,680,500 acres, compared with 12,342,000 acres in 1936-37, and the yield was estimated at 187,795,000 bushels, against 150,468,000 bushels. The average export price of wheat fell from 5s. 2.7d. per bushel in 1936-37 to 4s. 5.1d. per bushel in 1937-38. Gold mining continued to expand, the value of the output rising from £10½ millions in 1936-37 to £12½ millions in the following year.

Overseas Trade.—Overseas trade showed a substantial advance. Imports in 1937-38 amounted (in sterling) to £111,427,000, an increase of £20,943,000 compared with 1936-37. The principal increases recorded were: an increase of £2,277,000 in textile material imports; a rise of £1,797,000 in the value of imported mineral oils; an increase of £3,711,000 in machinery imports; a rise of £2,141,000 in iron and steel plate and sheet; one of £2,563,000 in motor-car chassis and parts; and an advance of £1 million in timber purchases. Exports were valued at £111,943,000 sterling in 1937-38, a decrease during the year of £5,403,000. The merchandise figures show an export surplus of £515,905 in 1937-38, compared with £26,755,000 in 1936-37, while the export surplus in trade in bullion and specie amounted to £11,332,231 sterling, compared with £9,483,000 in the previous year.

Exports	1936-37		1937-38		Per cent. exported to Great Britain 1937-38
	Volume	Value (a)	Volume	Value (a)	
	lbs. millions	£'000's	lbs. millions	£'000's	%
Wool, greasy	759	55,155	722	41,282	40.9
Wool, scoured	72	7,347	82	7,348	50.5
Wheat	4,306	18,670	5,671	20,910	29.6
Flour	1,129	5,580	1,263	6,045	29.3
Butter	174	8,801	197	10,148	93.3
Frozen mutton & lamb	208	5,233	201	5,340	97.8
Frozen beef	233	8,036	283	4,342	93.0

(a) Recorded values in Australian currency.

Finance.—The accounts for both the Commonwealth and States for the year ended June 30, 1938, are set out in the following table:—

State	Revenue	Expenditure	Gross Public Debt
		(Values in £'000's)	
New South Wales	60,090	59,076	354,168
Victoria	27,617	27,587	177,228
Queensland	17,340	17,588	125,782
South Australia	12,460	12,336	107,450
West Australia	10,819	10,830	93,712
Tasmania	3,640	3,633	25,841
Six States	131,966	131,930	884,180
Commonwealth	89,458	85,964	390,845
Total	211,489	207,959	1,275,025

The Budget speech was delivered on September 21, 1938. It was announced that additional taxation is proposed to produce £3,210,000 during the current year. The principal changes are an increase of 15 per cent. in the rate of income tax for individuals and companies, a rise in the sales tax from 4 per cent. to 5 per cent.; and an increase in the land tax of 11.1 per cent. These increases in taxation are rendered necessary by the expenditure under the National Insurance Scheme, the reduced value of exports, and the higher expenditure for defence purposes.

The loans raised by the Commonwealth during the past

year, partly for conversion and partly for public works, were as follows:—

London:—	Amount	Price
Nov., 1937. 3½% 1951-54	11,409,965	97
May, 1938. 3½% 1952-56	7,000,000	99
Australia:—		
Nov., 1937. 3½% 1951	8,194,760	99½
May, 1938. 3½% 1952-54	10,418,130	99½
For States (over the counter)	1,312,340	Various

New Zealand

DURING 1938 New Zealand passed the peak of a period of expansion and entered on a recession, which is as yet more noticeable in external than in internal trade. For the twelve months ended January, 1938, export receipts reached the highest level ever recorded, £NZ67.17 millions. By October, the twelve months' total had fallen to £NZ58.79 millions. Imports rose to a peak of £NZ58.18 millions for the twelve months ended April, 1938, but by October the twelve months' total had fallen to £NZ55.43 millions. Stimulated by the high export income of last year and continued heavy expenditure on public works, internal trade was maintained at a high level. But costs were high, much labour was attracted from farming to public works, and farm production is tending to decline. There was considerable export of capital; the excess of exports is now insufficient to meet normal payments for interest, etc., overseas; the trade balance was adverse in the second half of the year, and sterling funds fell off heavily. In consequence, the Government imposed a system of exchange control (involving the licensing of both exports and imports) from December 5th, the financial outlook is causing concern, and further contraction of trade appears inevitable.

External Trade.—Overseas trade returns, for recent years ended October, are as follows:—

Year ended Oct. 31	£ millions		In Sterling	
	Exports	Imports	Exports	Imports
1929	55.88	48.93	55.88	48.93
1933	39.74	25.61	32.43	20.97
1934	49.02	30.16	39.21	24.13
1935	44.15	35.58	35.44	28.56
1936	56.41	42.02	45.31	33.75
1937	66.33	54.98	53.28	44.16
1938	58.79	55.43	47.22	44.52

The decline in exports in 1938 was mainly due to the heavy fall in wool prices in the 1937-38 season, which was only partly offset by higher prices for dairy produce. The first four months of the 1938-39 season showed a fall in exports of £NZ3 millions compared with the same months of the previous season, and prices for wool, dairy produce and meat are all somewhat lower than they were then. In view of the present adverse balance of payments, the shortage of sterling funds, the prospective further decline in exports, and the licensing of external trade transactions, a sharp contraction of imports appears certain. Most overseas trade is with the British Empire. For the first ten months of 1938, Great Britain took 84.7 per cent. of New Zealand exports (some for re-export), and supplied 48.6 per cent. of the imports, while Empire countries took 90.3 per cent. of the exports and supplied 74 per cent. of the imports. Ministerial statements indicate that the new official control will be used to promote closer trade with Britain.

Internal Trade.—Internal trade remained at a high level throughout the year. Building increased, but a large part consisted of public buildings and dwellings erected under the State housing scheme. Heavy public expenditure on these and other public works, and the high wages paid, stimulated retail trade. The note circulation, which was about £NZ6½ millions in 1928 and 1929, and averaged £NZ9 millions in 1937, reached £NZ10½ millions in October, 1938. Though there are many men on relief works, etc., unemployment, according to official reports, has almost disappeared, and farmers, who cannot compete with the rates paid on public works, complain of scarcity of labour.

Banking and Finance.—Trading bank deposits in mid-November were £NZ62.41 millions in 1938, against £NZ64.27 millions in 1937, while advances were £NZ58.38

AUSTRALIA

THE GOOD CUSTOMER

YOUR ATTENTION is directed to the following table. It gives in round figures the value in sterling of Australia's imports of British goods in each of the last seven years.

1931-32	... £17,000,000
1932-33	... £24,000,000
1933-34	... £25,000,000
1934-35	... £31,000,000
1935-36	... £34,000,000
1936-37	... £38,000,000

1937-38 ... £47,000,000

These figures emphasise the value of Australia as a customer for British manufactured goods, and her contribution to the revival of the export trade of Great Britain since the depression.

This favourable result, it should be noted, has been achieved during a period of industrial expansion in Australia. It shows that the progressive development of Australia's secondary industries will provide more, not fewer, openings for British trade, as it will increase the opportunities for the investment of British capital.

Australia's capacity to buy British manufactures, however, is governed mainly by her ability to sell her primary products in the British market. Moreover, a large proportion of the proceeds of what Australia sells to Great Britain is returned every year in interest to British investors. For Australia, besides being a good customer for British goods, is also one of the most profitable fields for British capital investment.

BUY AUSTRALIAN PRODUCTS and HELP BRITISH TRADE

Issued by The High Commissioner for Australia, Australia House, London, W.C.2

millions in 1938, against £NZ53.38 millions a year earlier. From November to November, too, the Reserve Bank's returns showed an increase of £NZ7.3 millions in advances to the Government, both trading bank and Government deposits fell, and sterling exchange dwindled from £NZ16.67 millions in 1937 to £NZ5.66 millions in 1938. Net overseas funds held by the Reserve Bank and the trading banks combined fell from £NZ28.02 millions at the end of October, 1937, to £NZ11.85 millions at the same date in 1938.

The Budget of 1938 showed a surplus of £NZ810,000, revenue amounting to £NZ36.06 millions and expenditure to £NZ35.25 millions. For 1938-39, revenue is estimated at £NZ35.85 millions, and expenditure at £NZ35.79 millions. For the first half of the financial year 1938-39, revenue was slightly less and expenditure somewhat greater than in the preceding year. The Government anticipates that the Budget will be balanced, but customs revenue is likely to fall in the last quarter of the financial year ending March 31st, and it may be difficult to effect a corresponding reduction in expenditure. In addition, money is scarce: the Reserve Bank's discount rate was raised from 2 to 4 per cent. on November 11th; and, though the Government proposes an internal loan to finance its public works programme, it is not yet clear how or where the money is to be found.

India

IN India, as elsewhere, there was a perceptible pause in trade activity in 1938, though the industrial development of the country continued throughout the year.

Public Finance.—Revised estimates for 1937-38 anticipated taking Rs. 109 lakhs* out of the Revenue Reserve Fund to balance the Budget. For 1938-39 it was expected that the remaining sum of Rs. 75 lakhs left in the Revenue Reserve Fund would be required to balance the Budget and leave a small surplus of Rs. 9 lakhs. There was no increase in taxation in the 1938-39 Budget.

REVENUE (In crores and lakhs of rupees, thousands omitted)*				
	Accounts, 1936-37	Revised Estimate, 1937-38	Budget Estimate, 1938-39	
Customs	51,44,67	43,93,00	43,81,00	
Central excise duties		7,74,00	7,76,00	
Corporation tax		1,50,00	1,55,00	
Taxes on income other than Corporation tax	15,33,51	12,12,40	12,42,34	
Salt	8,81,36	8,35,00	8,35,00	
Opium	47,66	46,23	44,92	
Total (with other items)	1,21,00,19	1,22,57,04	1,22,27,72	
EXPENDITURE (In crores and lakhs of rupees, thousands omitted)				
	Accounts, 1936-37	Revised Estimate, 1937-38	Budget Estimate, 1938-39	
Debt services	12,55,88	14,84,08	14,62,32	
Civil administration	11,27,33	10,63,37	11,31,18	
Currency and mint	37,71	39,05	37,43	
Civil works and miscel- laneous public improve- ments	2,52,10	2,58,64	3,12,36	
Miscellaneous	3,95,08	3,85,80	3,63,45	
Defence services	50,67,26	52,53,61	50,77,69	
Total (with other items)	1,21,00,19	1,22,57,04	1,22,27,72	

* Indian numerical notation differs from European. Large numbers are punctuated as crores and lakhs. A *lakh* is one hundred thousand (written out as 1,00,000). A *crore* is one hundred lakhs, that is ten millions (written out as 1,00,00,000). Thus, 43,93,00,000 should be read as 43 crores 93 lakhs, or, in European notation, 439,300,000. In the above table (and others in the article) the final three noughts are omitted.

Foreign Trade.—The total value of India's exports to all countries, including Burma, in 1937-38 was Rs. 181 crores (one crore = 10 million rupees) or Rs. 4 crores less than in 1936-37, but Rs. 31 crores more than in 1935-36. Imports rose by Rs. 32 crores compared with 1936-37 and by Rs. 24 crores when compared with 1935-36. The biggest drop in exports was in cotton, due to the Sino-Japanese conflict and the plethora of American cotton. The export position was affected by the fall in the price of ground nuts. Among imports there were larger purchases of long staple cotton and machinery.

CHIEF EXPORTS (In crores and lakhs of rupees, thousands omitted)		
	1937-38	Percentage of Total Exports of Merchandise
Cotton, raw and waste	29,77,26	16.46
Cotton manufactures	9,29,30	5.14
Jute, raw	14,71,90	8.14
Jute manufactures	29,07,76	16.07
Tea	24,38,69	13.48
Seeds	14,18,65	7.84
Grain, pulse and flour	9,48,89	5.24
Metals and ores	6,12,60	3.39
Leather	7,25,42	4.01
Hides and skins, raw	5,04,10	2.79
Total value of all exports ...	180,92,42	100.00

CHIEF IMPORTS (In crores and lakhs of rupees, thousands omitted)		
	1937-38	Percentage of Total Imports of Merchandise
Cotton and cotton goods	27,68,24	15.92
Oils	18,69,96	10.76
Machinery and millwork	17,15,36	9.87
Metals and ores	13,39,31	7.71
Vehicles	8,92,30	5.13
Instruments, apparatus and appliances	6,13,36	3.53
Artificial silk	4,87,49	2.80
Dyeing and tanning substances ...	3,94,06	2.27
Wool, raw and manufactured	4,14,87	2.38
Paper and pasteboard	4,14,71	2.38
Chemicals	3,32,82	1.92
Total of all imports	173,78,76	100.00

The export surplus in 1937-38 amounted to Rs. 15,88 lakhs, compared with Rs. 51,19 lakhs in the preceding year and Rs. 5,11 in 1935-36. Including transactions in treasure the total visible balance in favour of India was the lowest for the three years, being Rs. 30,24 lakhs against Rs. 64,90 lakhs in 1936-37 and Rs. 40,52 lakhs in 1935-36, the decline representing the falling off in gold exports.

South Africa

THE year was marked by many new records of achievement and prosperity in South Africa. The country was again one of the most prosperous in the world. Primarily, this is due to the continued expansion of the gold mining industry of the Transvaal. The following are figures relating to Transvaal gold:—

	1937	1938
Tons milled	51,129,650	54,274,850
Yield in gold (fine oz.)	11,740,891	12,156,629
Revenue	£80,177,687	£84,019,909
Do. (per ton milled)	31s. 4d.	31s. 0d.
Expenditure	£48,477,927	£52,216,652
Do. (per ton milled) ...	18s. 11d.	19s. 3d.
Est. working profit	£31,699,760	£31,803,257
Do. (per ton milled)	12s. 5d.	11s. 9d.
Dividends declared	£17,070,714	£17,262,216

The 1937 output of gold was based on an average monthly valuation of £7 0s. 3½d. per fine ounce. That for 1938 has been valued at a monthly average of £7 2s. 0½d., ranging from £6 19s. in January to the peak figure of £7 8s. 6d. per fine ounce in December.

Foreign Trade.—Despite the record figures of gold production, the Union's gold exports declined from £86 millions in 1937 to £50 millions in 1938, owing to the holding of gold in the Union "earmarked" on account of overseas purchasers. This largely accounts for the decline of £42 millions in South African exports. Union imports were valued at £95,867,000, a decline of nearly £8,000,000, largely due to smaller purchases of luxury articles. Customs revenue fell by only £816,000. Exports were valued at £83,234,000, compared with £125,161,000 in 1937. Export items which show major decreases are wool, which fell from £12,643,000 in 1937 to £9,036,000 last year, diamonds which declined from £3,247,000 to £2,382,000, and maize which fell from £3,194,000 to £949,061.

Finance.—In the first three quarters of the Union's financial year Government revenue receipts were £29,300,000,

just under £90,000 below the receipts for the corresponding period of 1937. Over the nine months period customs and excise revenue dropped by nearly £1,000,000 compared with the previous year, but inland revenue increased by about £750,000 and postal revenue by about £100,000.

Maize crop estimates point to a record. One authority estimates the current year's crop at over 30 million bags. A huge surplus will be available for export. Of last year's maize harvest of 19 million bags, 3,500,000 bags were available for export.

Companies.—In 1938, 1,513 new companies were registered with a total nominal capital of £5,675,379, which is rather lower than in 1937. Increases in capital of existing companies totalled £10,346,696. No mining companies of major importance were registered last year, the largest individual capitalisation being £250,000, whereas in 1937 there were five new companies registered with nominal capitalisation of seven figures, six representing an aggregate of £13 millions and one with a nominal capital of £4,000,000.

Eire

THE most important event in Eire in 1938 was the agreement arrived at in April with Great Britain terminating the so-called economic war between the two countries. The agreement provided for the removal of penal duties on both sides; for the revision by the Prices Commission of Irish protective duties on British goods; and for the payment by Eire of the sum of £10,000,000 in settlement of all outstanding claims. The agreement has been of great benefit to Eire. The agricultural export trade has shown signs of revival; the progressive deterioration of the balance of payments has been stayed; and the Exchequer has been relieved of the necessity of raising large sums for export bounties. So far, the Prices Commission has done very little towards revising the protective duties, but several applications have been listed for hearing. The £10,000,000 was raised successfully at 3½ per cent.

Agriculture.—The agreement has undoubtedly brightened the economic outlook in Eire, but it would be idle to pretend that 1938 was a prosperous year. The area under tillage continued to fall, in spite of the encouragement given to beet and wheat, and the rural population further declined. Although the price of agricultural products rose, farmers experienced many difficulties caused by rising costs, and there was a persistent demand for further relief from rates and other fixed charges. The Government has set up a Commission to investigate agricultural conditions. The problem is to increase the volume of output and to reduce costs of production, and there is room for considerable technical improvement in the industry. The utilisation of grass lands, increasing the fertility of the soil and the extension of winter dairying are matters that require particular attention. There is a growing realisation that the only chance that a small country has of enjoying a high standard of living is by the exploitation of its comparative advantages to the utmost degree, and of thus maintaining a large volume of external trade.

Industry.—Such a policy requires caution in the development of secondary industries, and the programme of industrial self-sufficiency is encountering an increasing volume of criticism. Even Mr Lemass, who is chiefly responsible for the industrial "drive," is not as happy as he was a few years ago, and his speeches have been showing signs of doubt about the success of some of his schemes. Many of the new industries are incurring losses, and some of the older industries, for example, the woollen trade and the breweries, are reducing their scale of operations. The building industry has encountered considerable labour trouble, and, indeed, Irish trade unionism has not been very helpful to industrial progress. The railways experienced a terrible year, and were on the verge of bankruptcy when the Government appointed a tribunal to investigate the whole question of transport.

Banking and Trade.—The report of the Banking Commission, which was appointed in 1934, was published in August. The report recommends the retention of the existing link with sterling; the abolition of the note issue rights of the commercial banks; and the conversion of the Currency Commission into a central bank. The Banking Commission undertook the task of surveying the whole economic and financial condition of Eire, and its report has attracted considerable notice and has aroused much controversy. Attention is drawn to two trends which, if allowed to continue unchecked, may become dangerous: the balance of payments has been becoming increasingly passive, and the public debt is growing rapidly. The necessity of correcting these *disequilibria* is emphasised.

The recent improvement in the balance of trade (disclosed in the following table) is the result partly of the settlement of the "economic war," but to a greater extent of the fact that the terms of trade moved in favour of Eire during 1938.

Year	Imports	Exports	Import Surplus
1937	44,108,332	22,856,353	21,251,969
1938	41,404,903	24,241,839	17,163,064

Economic Policy.—In spite of the improvement that has taken place, the import surplus on visible account is still too large to be covered by the credit invisible balance, and the country has been drawing on accumulated reserves, as is shown by the continuous decline in the banks' sterling assets. This tendency is viewed with disapproval by the Banking Commission on the ground, among others, that many of the invisible exports are of a wasting or precarious character. The only invisible export that can be expected to increase is the income derived from tourists, and the Government has extended additional assistance to the development of tourist traffic. The necessity of increasing the volume of visible exports is obvious, and, as the only possible exports are agricultural products, the problem resolves itself into that already referred to in connection with the condition of farming, namely, the increase of the output from the soil and the reduction of agricultural costs.

The deadweight debt, the growth of which the Banking Commission regards with disapproval, is the result of the policies of housing and land settlement. The latter can be terminated if necessary, but the former must be continued. Here again, as in agriculture, many of the problems are technical and there is an urgent case for an inquiry into methods of reducing the cost of building. Meanwhile, public expenditure continues to grow. Social services are being extended, and additional sums will have to be found for defence. The Government has been borrowing by ways and means advances and by Exchequer bills, but the capacity of such accommodation is strictly limited, and it is possible that further long-term borrowing will be necessary soon. If production and exports could be increased, such additions to the public debt would cause no apprehension, but there is reason to believe that recent investment has been financed by the liquidation of old securities, rather than from the proceeds of new savings.

If the year 1938 has not been one of progress in Eire it has not been one of retrogression. The settlement of the "economic war" has given the country a breathing space to take stock of the situation and to mend its course in so far as it has strayed from the path of rectitude. The report of the Banking Commission, in spite of much hostile criticism, has helped to educate public opinion, and there are signs that the politicians are beginning to learn some of the elementary economic principles which cannot be ignored with impunity. As it was put by a well-known Dublin humorous paper, "The situation has the Government well in hand."

Palestine

THE main feature of the year was the continuance of the Arab revolt and a consequent condition akin to civil war. The British Government sent out a technical Commission in the spring to investigate the possibilities of partition in accordance with the recommendations of the Royal Commission of 1937. The Commission reported in November against the project. The Government then announced a determined effort to bring Arabs and Jews together for a round-table Conference. The preparations for the Conference were made, but the terrorist campaign continued. The disorder and insecurity inevitably injured economic life and checked enterprise.

Population and Trade.—There was an increase in the population during the first ten months of the year from 1,401,000 to 1,420,000. Jewish immigration was greater than in the previous year, and is estimated at about 12,000 for the year. The main Jewish immigration came from Germany and Austria, the total from those countries being about 5,500.

Both imports and exports during the ten months showed a substantial decline. The value of imports was £10½ millions, against £13½ millions in the previous year. The value of exports was £3,790,000, against £4,430,000. The English share of the imports was substantially increased, rising in value from £2,100,000 to £2,500,000. The value of exports to England fell from £2,350,000 to £1,780,000. The value of the exports to other European countries rose by £150,000. That was mainly due to the increase of the orange crop in

the season 1937-38 and the finding of fresh markets in Europe. The figures of shipping in the ports of Palestine show a drop from 790,000 tons of cargo discharged during the ten months of 1937 to 600,000 in 1938; but the figures of cargo loaded show little change. The new port of Tel-Aviv grew notably at the expense of Jaffa. The effect of the public insecurity was shown significantly in the figures of railway traffic. Railway revenue fell by over one-third in the case of goods traffic and by nearly one-half in the case of passenger traffic.

Government Finance.—During the first eight months of the current fiscal year beginning April, 1938, revenue declined by half a million pounds compared with the corresponding period of 1937. Customs showed a decrease of more than half that sum. The decrease in expenditure was only about £125,000, and there was a deficit of over half a million pounds. The surplus balance of the Government, which on April 1st amounted to £2,400,000, was reduced on November 30th to £1,890,000.

Banking and Enterprise.—In spite of the local unrest, the shock of the autumn world disturbance was well resisted in Palestine. There was a decline in deposits with the banks and credit co-operative societies of 7 per cent. during the month of September; but a large part found its way back to the banks before the end of the year. The falling off of private enterprise is marked, on the one hand, by the fall in new capital issues from nearly £1,000,000 to £500,000 during the first ten months compared with the same period of 1937; and, on the other, by the fall in new building in the four principal towns to a monthly average of about 30,000 square metres, against 48,000 square metres in 1937.

British Guiana

ON most counts the 1938 trade results point to an increasingly sound economic position.

Trade and Revenue.—At the end of November, British Guiana's export surplus for the year stood at \$2,246,217; exports for the eleven months were valued at \$11,941,478, and imports at \$9,695,261. At the end of November in the previous year, the value of exports was \$11,835,109, and of imports \$10,469,130, making an export surplus of \$1,365,979. The figures are encouraging despite the reduction in customs revenue. The import fall was expected; there had been a great deal of overstocking by Georgetown merchants in 1937 when European war clouds caused a mild panic. Last September's international crisis also appears to have caused an increase in imports, but not to the same extent.

It is probable that the revenue position will improve; it has already been possible to make an upward revision of the year's estimated revenue. Customs will yield \$125,000 more and income tax \$50,000 more than at first seemed likely. But unemployment, the demand for better conditions in certain branches of Government service, the need for increased police owing to labour troubles, and abnormal weather conditions have led to increased expenditure. At the end of November there was still the prospect of an \$850,000 deficit when the accounts for 1938 are finally audited.

Analysis of the trade figures provides abundant evidence to justify the Governor's statement to the Legislative Council last October, that "the economic organisation of the Colony has become inadequate to support a vigorous and healthy life for all its people, and that a widening of the basis of production is urgently called for."

Exports and Industry.—In the eleven months, bauxite exports, stimulated by armament manufacture, increased by \$338,603, but total export trade increased by only \$106,369. There was a general downward tendency. Shipments of rice, livestock, coconuts, copra, and rum declined. Rice, second only to sugar as an agricultural staple, awaits the report of Mr H. Parker, manager of the Government Rice Mill at Perak, in the Federated Malay States, who is to outline a scheme to replace the many small and mostly inefficient mills with a few central units. Thorough-going organisation of this industry would mean the conquest of the considerable West Indian market. Sugar exports, though limited by international agreement, increased by \$87,496, the f.o.b. price improving slightly, but since the Colony's industrial reorganisation must be based on the expansion of production in export industries, hopes obviously cannot be confined to the chief staple industry. Balata, a once prosperous forest industry, shows a \$50,000 improvement in exports, but there has been a decline in exports of timber, gold and diamonds. The outlook in these industries is far better than the statistical position suggests; there is, indeed, a feeling of real optimism that

1939 will see not only the complete dominance of local timber in the considerable home market—nearly all of British Guiana's buildings are wooden—but also a concerted attempt to expand exports. The feeling is based on the fact that the huge timber-seasoning ground which the Government are erecting with the aid of the Colonial Development Fund will be completed early this year. In spite of the somewhat unsettled outlook in the industries whose products affect the small man, the year closed, as in all West Indian countries, in an air of great expectancy; in British Guiana this feeling is due, not only to the great hopes placed in the Royal Commission, but also to the general belief that the Jewish colonisation scheme will materialise.

Western Europe France

Two years after the elections of 1936, foreign threats and financial difficulties led to a hasty change in French policy. After the 1936 Popular Front Government with Socialist direction and the 1937 Popular Front Government with Radical Socialist direction, a Radical Socialist Government not resting on the Popular Front came into power in April, 1938. Just a month after the Anschluss, the Senate rejected M. Blum's plans for economic control, and M. Daladier became Prime Minister. The real effort towards economic recovery only began after the Munich Agreement of September 30th and the subsequent withdrawal of the Socialist-Communist bloc into opposition. Then followed a period (which has not ended) marked by the advent of the liberal M. Reynaud as Minister of Finance, the new decrees of November 13th and the fiasco of the general strike on November 30th. The 40-hour week has practically been abandoned. Capital is being repatriated. Public funds are booming. But, only three months after Munich, the Italian claims on French Mediterranean territory and M. Daladier's visit to Corsica and Tunisia were signs of a new situation of diplomatic strain.

Monetary Policy.—After further falls from 147.30 to the £ on January 3rd to 154.90 on January 27th and 165.65 on March 15th, the franc experienced heavy pressure in April. M. Daladier then declared that the level of 179 francs to the £ would not be passed. Thereafter the franc was kept in step with the £, and together they fell against the dollar, the franc to 38 at the end of the year compared with 29.48 at the end of 1937. The gold stock of the Bank of France remained practically unchanged. But the recovery plan of M. Reynaud included a revaluation of the stock on the basis of 27.5 milligrammes to the franc, instead of 43. The proceeds of the revaluation, amounting to 31,000 million francs, were applied to the repayment of the advances to the State, which were reduced from 52,000 million francs to 20,600 millions.

Finance.—The deficit on the 1937 Budget was 5,821 million francs. The 1938 Budget will show an excess of expenditure over revenue of 9,500 millions. Taxes were raised or increased in April and November, and the 1939 Budget seems to be balanced at 66,340 million francs, against 54,739 millions in 1938. Nine-tenths of an extraordinary Budget amounting to nearly 28,000 million francs is devoted to rearmament. Public debt reached a new high level in 1938:—

Debt	Francs (000,000 omitted)	
	December, 1937	August 31, 1938
Funded	50,038	50,034
Redeemable	201,545	206,932
Short-term	39,216	38,974
Floating	85,297	101,687
Agricultural credit	2,034	1,992
Posts, telegraphs and telephones	10,137	9,886
	388,267	409,505

Foreign debt totals 16,000 million francs; railway debt is 102,000 millions; colonial and public undertakings debts are 40,000 millions; and it is estimated that the entire public debt by the end of 1938 reached nearly 580,000 million francs.

Banking and the Money Market.—The effort to balance the Budget and restrain from public borrowing, the revision of the forty-hour week, and first signs of economic recovery caused a repatriation of capital and considerable disharding, with the result that interest rates fell sharply.

The rediscount rate of the Bank of France was changed only three times, against six in 1937 and 11 in 1936, and was never higher than 2½ per cent. or 3 per cent. At the year-end it was 2 per cent. The commercial bill rate fell from 3.13 per cent. in December, 1937, to 2.36 per cent. twelve months later. Deposits in the large banks, however, were practically unchanged:—

	Francs (000,000,000 omitted)		
	Nov. 30, 1937	May 31, 1938	Nov. 30, 1938
Crédit Lyonnais	11.3	12.9	11.7
Société Générale	9.1	10.4	9.1
Comptoir d'Escompte	7.6	8.6	7.9
Crédit Ind. et Commercial	2.0	2.3	2.0
	30.1	34.3	30.9

From November, 1937, to November, 1938, the note circulation of the Bank of France rose from 97,000 million francs to 110,000 millions.

The rise in public funds and debentures which followed the November decrees caused an appreciable fall in long-term money rates. The average yield of debentures fell from 6.16 per cent. in December, 1937, to 4.58 per cent. at the year-end; and the yield of the 3 per cent. Rentes came down from 4.31 to 3.42 per cent. Private issues, however, were the lowest for many years.

Production and Prices.—The wheat crop was very large, amounting to 94 million quintals, against 67 millions in 1937, 69 millions in 1936 and an average of 83 millions in 1930-35. The basic price of wheat was fixed by the Administration at 204 francs per quintal, against 180 francs in 1937. Monetary depreciation, increased taxation and social charges caused a further rise in prices, which appeared to slacken during the summer:—

(1914 = 100)	End of		
	1937	July, 1938	End of 1938
Wholesale prices:			
General index	601	652	666
Domestic products	650	673	692
Imported products	515	613	620
Foodstuffs	615	638	648
Retail prices	676	690	754
Cost of living	630*		689*

* Third quarter

Coal output increased from 45,334,000 tons in 1937 to 47,560,000 tons in 1938, while consumption fell from 76,160,000 tons to 68,170,000 tons, and imports of foreign coal from 30,875,000 tons to 22,725,000 tons. Pig iron production was 5,999,000 tons, against 7,916,000 tons in 1937; steel production 6,178,000 tons, against 7,920,000 tons in 1937.

Foreign Trade.—The year's imports were valued at 45,900 million francs, against 42,300 millions in 1937, and exports at 30,500 millions, against 23,900 millions. The import surplus fell from 18,381 million francs to 15,396 millions, or (excluding trade with the colonies) from 14,879 millions to 11,323 millions. The volume of imports fell from 57,400,000 tons to 47,155,000 tons, and the volume of exports from 30,369,000 tons to 26,981,000 tons.

Germany

THE year 1938 in Germany was a year of important political events, of which the most important were the annexations of Austria and the Sudeten German territory. Industry and trade were considerably affected. Industry, which had already reached the limit of its capacity at the turn of the year 1937-38—especially as far as the armament and building industries were concerned—was forced into a state of over-employment. At the same time there was a quickening of the armament tempo and the construction of immense fortifications. In many trades, but mainly in armaments, mining and construction, the lack of skilled labour grew. At the end of 1938 there were 456,000 unemployed in the Old Reich, compared with a million at the end of 1937, while the number in employment totalled 19.2 millions. Including Austria and the Sudeten territory, 824,000 unemployed were registered at the end of the year.

The preponderance of State contracts led to further noticeable tensions in production, in provision for civil domestic needs and in price formation, with the result that the State had to exercise an even stronger control and supervision over all branches of private industry. Commissioners (*generalbevollmächtigte*) were appointed for five industrial groups; they were given far-reaching powers to press forward rationalisation, and to bring the needs of the State, private industry and the export trades into line. Price control has been intensified, because prices tended to rise on account of shortages of goods.

Official control of raw materials continued unchanged, and the provision of raw materials for industry actually improved, because Germany was able to increase the volume of her raw material imports owing to a fall in world prices. Total imports remained at about the same value as in 1937, although exports declined; this was possible because all the Reich's reserves of foreign exchange, including those of Austria and the Sudeten territory, were employed for the purpose.

The Government's financial policy led to various crises. The financing of schemes by special bills was begun and was later replaced by the use of Treasury delivery certificates. The marked increase in indebtedness led, towards the end of the year, to acute cash difficulties, which ended in the dismissal of Dr Schacht. Industry was in need of capital, and as long as the State's control of capital continued, industrial investments could be made only from industry's own reserves. Those reserves (especially security holdings) were accordingly liquidated, which led to the slump in the Bourse in the summer, a slump later intensified by anti-Semitic measures.

Credit and Capital.—The Reichsbank's discount rate remained unchanged at 4 per cent., the private discount rate at an average of 2.88, and daily money at 2.9. The capital market was kept mainly at the disposal of Reich loans. In 1938, capital issues amounted to about Rm. 9,000 millions, of which Rm. 1,000 millions went to industry and the remaining Rm. 8,000 millions to Reich loans. Since 1935, the Reich has issued loans amounting to Rm. 15,600 millions, of which Rm. 14,000 millions were still outstanding at the end of October, 1938. The pressure upon private industry was shown by the fact that, although compelled to rely almost entirely on itself for finance, industrial investment amounted to Rm. 18-19,000 millions, against Rm. 16,000 millions in the preceding year.

The national income rose from Rm. 70,970 millions to about Rm. 76,000 millions; income from labour alone rose from Rm. 38,800 millions to Rm. 41,500 millions. Retail trade turnover rose in value from Rm. 30,900 millions to Rm. 33,500 millions. The Government's great need of money can be judged from the fact that taxes, duties and other levies absorbed in all 35.5 per cent. of the national income against 33.5 per cent. in 1937. Deposits at savings institutions rose from Rm. 15,535 millions to Rm. 17,421 millions.

Public Finance.—Again the Reich published no Budget. It is known that expenditure far exceeded receipts. Reich receipts from taxes and duties at the end of the financial year March, 1937-38, amounted to Rm. 13,964 millions, against Rm. 11,492 millions in the preceding year. From April to December, 1938, the Government collected Rm. 13,022 millions, compared with Rm. 10,478 millions in the corresponding months of 1937. The complete financial year (1938-39) should yield about Rm. 17,000 millions. The total receipts of the Reich, the provincial authorities and the local authorities, which amounted to Rm. 18,400 millions in 1937-38, should rise to Rm. 22,000 millions in 1938-39. This increase is mainly due to a rise in the rate of corporation taxes, more stringent methods of collection and a number of increased import duties. Taxes on real estate purchases and on beer were also increased.

The Reich's debts also rose considerably:—

	Foreign Debts	Long- and medium-term domestic debts (In million Rm.)	Short-term domestic debts	Total
March, 1933	3,003	2,751	1,514	11,690
March, 1936	1,678	6,029	2,899	14,372
March, 1937	1,442	8,611	2,383	16,558
March, 1938	1,333	11,954	2,345	19,098
October, 1938	1,276	16,191	4,890	25,678

The change over from financing by means of bills to financing by the use of delivery certificates has led to a considerably increased short-term debt; and it must be remembered that there are still about Rm. 10-12,000 millions of unconsolidated special bills outstanding. The real short-term debt can therefore be estimated at a total of between Rm. 14,000 millions and Rm. 16,000 millions.

Prices.—Although the ban on price increases was maintained, although the Price Commissar undertook to lower certain prices in certain domains, and although world prices remained well below the record levels of 1937, the German price indices rose a little. The reason for this increase was the Government's over-riding claim on production and materials for its own uses; private demands were starved and a shortage of goods resulted. The wholesale price index (1913 = 100) rose to 106.4 at the end of December, from 105.5 in the preceding December. The increase affected all groups, with the exception of textiles and metals, whose indices fell from 78.1 to 77.9 and 53.3 to 51.4, respectively.

The largest increases were in the indices for vegetable foods, cattle produce, fodder and building materials. The index of the cost of living (1913-14 = 100) also rose to 125.6 from 125.1, compared with 124.5 in December, 1937, and December, 1936. The cost of foodstuffs fell slightly, but the cost of clothing increased considerably. The various indices cited do not take into account the deterioration in the quality of goods, which is equivalent to an appreciable indirect rise in prices.

Agriculture and Industry.—Although the shortage of labour is particularly marked in agriculture—the deficiency in man power is estimated at from 700,000 to 800,000 persons—agricultural production has increased. The crop of bread cereals reached 13,970,000 tons, against 11,490,000 tons in the previous year, and 14,490,000 tons in 1936. The wheat crop rose from 4,580,000 tons to 5,550,000 tons and the rye crop from 6,920,000 tons to 8,460,000 tons. The crop of fodder cereals increased from 10,830,000 tons to 11,890,000 tons. The potato crop, however, and the sugar beet crop fell. Grain imports rose from 2,060,000 tons to 4,060,000 tons in volume, and from Rm. 226 millions to Rm. 402 millions in value. Stocks of grain amounted to 13½ million tons at the end of September, an increase of about 3.7 million tons over the preceding year. The value of agricultural production amounted, during the season ended July, 1938, to Rm. 12,700 millions, compared with Rm. 11,900 millions at the end of the previous season. The proceeds of agricultural sales rose from Rm. 8,910 millions to Rm. 9,634 millions, but working expenditure rose simultaneously from Rm. 6,369 millions to Rm. 6,884 millions.

The volume of industrial production showed a further increase. The gross value of production rose during the year from Rm. 77,000 millions to about Rm. 85-90,000 millions, against Rm. 85,000 millions in 1929. The value of machinery production rose from Rm. 4,000 millions to Rm. 4,500 millions—although exports remained unchanged at Rm. 800 millions. Production has been mainly of investment goods. The production of pig iron rose from 15,960,000 tons to 18,600,000 tons, and that of crude steel from 19,850,000 tons to 23,300,000 tons, but Austria is included in this year's figures. The output of rolling mills (*walzwerke*) increased from 14,120,000 tons to 16,370,000 tons. Yet shortage continued and the system of rationing in favour of armaments and exports had to be retained. Domestic iron ore production (inclusive of Austria) rose from 7,360,000 tons to 10,170,000 tons, and imports increased, during the first three quarters of the year, from 14,890,000 tons to 16,760,000 tons. Coal output rose from 184,500,000 tons to about 186,200,000 tons, but coal exports fell considerably. The production of domestic textile raw materials (including cellulose wool and artificial silk) again greatly increased from 199,400 tons to 260,500 tons.

Foreign Trade.—The foreign trade policy of the Reich remained unchanged. The shrinking of world markets and lower prices combined with a heavy domestic demand, caused a recession in the value of exports from Rs. 5,788 millions to Rm. 5,257 millions (for the Old Reich alone). For Greater Germany exports were valued at Rm. 5,619 millions. Since the domestic demand for foreign raw materials and foodstuffs actually increased, imports remained almost unchanged at a value of Rm. 5,449 millions (for the Old Reich), against Rm. 5,375 millions in 1937. Imports into Greater Germany amounted to Rm. 6,052 millions. In 1937 an export surplus of Rm. 443 millions was recorded. In 1938 there was an import surplus of Rm. 192 millions for the Old Reich, and of Rm. 432 millions for Greater Germany.

Italy

Agriculture and Industry.—The agricultural year was reasonably satisfactory, yields being generally higher than in recent years. The wheat crop was 8,100,000 tons, against an annual average of 7,323,000 tons during the three years 1935-37. Similar comparisons for other crops run as follows:

(Tons)	Annual Average 1935-37	Actual Yield 1938
Rye	141,000	113,000
Barley	210,000	248,000
Oats	539,000	629,000
Spring maize.....	2,981,000	2,936,000
Rice.....	753,000	686,000 (est.)
Hemp.....	87,000	109,000
Flax	2,500	3,600
Grapes	6,185,000	5,971,000

Prices were from 10 to 20 per cent. higher. The following are the indices of industrial production published by the Corporation Department (1928 = 100):—

	1935	1936	1937	1938	1938
				11 mos.	Nov.
Textiles.....	76.8	70.1	83.7	82.3	94.6
Iron and steel	112.2	106.0	114.1	111.3	115.1
Engineering.....	101.9	120.0	131.8	134.1	138.7
Paper	139.7	123.2	150.0	142.8	147.6
Building.....	162.3	91.9	95.9	89.7	98.4
Electricity, gas	135.8	140.5	154.6	156.9	152.6
Minerals, etc.	98.9	110.3	127.8	135.0	137.8
Chemicals	99.6	107.4	133.2	129.4	136.8
General index	102.4	95.5	108.7	106.9	115.8

The general index progressed from 105.5 in January to a maximum of 114.7 in March, falling to a minimum of 88.8 in August, rising again to 108.4 in September and to 115.9 in October.

Foreign Trade.—Trade with the colonies is now separately stated.

	(In million lire)			Imports (—) Exports (+)		Surplus in Trade with Foreign Countries	
	Imports from Colonies	Exports to Colonies	Imports from Foreign Countries	Exports to Foreign Countries	Imports (—) Exports (+)	Surplus in Trade with Foreign Countries	Imports (—) Exports (+)
1929	22,313	14,999	—	—	—	—	—
1933	78	7,354	212	5,579	+ 134	—	1,575
1934	93	7,582	259	4,965	+ 166	—	2,617
1935	117	7,673	750	4,488	+ 633	—	3,185
1936	157	5,882	1,718	3,824	+ 1,561	—	2,058
1937	350	13,592	2,580	7,853	+ 2,230	—	5,739
1938	206	10,918	2,419	7,960	+ 2,213	—	2,958
1937*	207	8,027	1,524	4,638	+ 1,317	—	3,389
1938*	154	...	1,429	4,701	+ 1,307	—	1,747

* Converted into lire at the legal rate before the realignment of October 6, 1936.

The adverse balance of trade was drastically reduced, almost exclusively by reducing imports. Reductions were possible partly through good wheat and corn harvests, partly because stocks, depleted during the African campaign, were replenished in 1937; and, finally, through better terms of trade with foreign countries. Foreign trade is now at a lower level than in 1933. The direction of trade has also changed:

	(In million lire)					
	Imports			Exports		
	1933	1937	1938	1933	1937	1938
United Kingdom.....	727	561	703	689	639	580
France	413	491	248	459	438	322
Switzerland	271	412	373	483	507	489
Germany	1,143	2,589	2,981	729	1,503	1,983
Austria.....	175	631	...	131	289	...
Austria	1,115	1,539	1,316	529	783	774
Argentina	248	1,054	271	381	402	404

Germany is the only country which appears to be increasing her trade with Italy.

Traffic.—Internal traffic is growing. The State Railways have fared as follows (from July 1st to June 30th):—

	Tons Carried '000 omitted		Traffic Revenue Million lire		
			Passengers	Goods	Total
1933-4	40,214	1,126	1,593	2,719	2,719
1934-5	42,796	1,101	1,514	2,615	2,615
1935-6	47,089	1,188	1,968	3,156	3,156
1936-7	51,481	1,284	2,262	3,546	3,546
1937-8	57,394	1,437	2,566	4,003	4,003

Prices.—Cost of Living and Wages.—Changes in the level of wholesale prices and in the cost of living (1928 = 100) have been as follows:—

	1929	1935	1937	1938
Wholesale—				(Dec.)
General index	95.4	68.2	89.1	96.4
Raw materials	95.3	65.6	89.5	91.7
Semi-finished goods	97.5	74.9	101.3	111.7
Finished products	94.4	68.3	84.0	96.1
Retail:—				
Home produced.....	105.5	67.3	86.3	95.4
Imported	105.6	73.0	102.7	106.6
Exported	108.1	55.8	81.7	84.8
Cost of Living	101.1	77.5	91.7	99.12*

* Yearly average.

Prices now appear to have come back to about the 1929 level. Devaluation was only one among many influences

high helped to reverse the trend of prices. Export prices, which suffered most during the crisis, are also slower to cover ground, in comparison with 1929. The cost of living almost back to the 1929 level; in December, 1938, the index number was 99.97. The wages index has gone from 4.3 in 1935 to 100.5 in 1937; but there are no later data. 1 October, 1938, the number of persons in employment was 3 per cent. higher than the 1934 figure.

Money Market and Stock Exchange.—The year showed featureless money market. The official rate was unchanged at 4.50 per cent.; private rates for commercial paper between 5.50; and monthly settlements were carried over at 5.75 per cent. On the Stock Exchange, share-values, which had closed in 1937 at 48.8 (1924 = 100) after a bottom at the end of 1935 of 35.3, rose to 50 at the end of February, 1938, and then hovered around 48, closing finally at 46.47. Saving and current account deposits increased from 74,627 million lire at the end of 1936 to 79,575 at the end of 1937 and to 82,408 millions at the end of September, 1938. The number and capitalisation of Italian joint stock companies hanged from 20,018 companies at the end of 1937 to 0,660 at the end of November, 1938, and their capital progressed from 47,695 to 52,807 million lire. The increase was mostly in paper transactions from reserve to capital account. Failures are fast diminishing:—

	Ordinary Failures Number Liabilities (Thousand lire)		Small Failures Number Liabilities (Thousand lire)	
1933	9,954	1,380	11,359	118
1934	8,211	1,051	10,258	106
1935	6,864	739	10,578	109
1936	5,287	501	8,554	82
1937	3,209	251	6,153	56
1938	2,846	236	5,171	46

Public Finance.—No figures were published regarding the accounts after the Budget speech of May 18, 1938. The total deficit (ordinary and extraordinary expenditure included) was 2,030 million lire for the fiscal year ending June 30, 1935; 12,685 millions for 1935-36; 16,230 millions for 1936-37. For 1937-38 the deficit was preliminarily estimated at 12,173 millions, but owing to a high yield from the new tax on joint-stock companies, the Minister of Finance hoped that the deficit would be kept under the 12,000 millions level. For the current fiscal year a surplus of 37 millions, and for the year 1939-40 a deficit of 4,755 millions, were originally estimated; but these figures are largely a guess, since they do not include unforeseen extraordinary expenditure. Following the two 5 and 10 per cent. extraordinary taxes on land and real estate capital and on joint-stock companies, a third extraordinary tax of 7½ per cent. was applied to the capital of private companies and concerns.

Belgium

The year 1938 was politically and economically not very favourable. The year began with the Janson Cabinet in power, and this gave place to the Spaak Cabinet in May. The great difference between these two Ministries of National Union was at the Ministry of Finance. In the Janson Cabinet, M. Soudan succeeded M. de Man as Minister of Finance; but after M. Spaak became Prime Minister, the office was given to M. Max Léo Gerard, an upholder of the most strict and orthodox financial methods, who was in turn followed in December, 1938, by M. A. E. Janssen, another stickler for orthodoxy.

Finance and Industry.—To meet the deficit occasioned by the economic depression, the Government proposed several tax increases; but, as these were only enforced during the second half of 1938, the Budget year will close with a deficit estimated at between 500 and 800 million francs. Even so, fiscal receipts were not unsatisfactory, showing in 1938 a total of 9,670 million francs, compared with 9,680 millions in 1937 and 9,068 millions in 1936. The Treasury has called for only one loan during the year: for 1,000 million francs at 5 per cent.

Industry has been seriously affected by the world depression. The textile industry suffered heavily. The metal trades, after experiencing rough weather during the first six months, picked up again at the end of the year, but output is still much lower than it was in 1937. Coal mining has had a difficult time owing to heavy expenses, and especially because of the reduction of the working week from 48 to 45 hours. The Belgian coalfield now yields appreciable profits only in the best mines. A Government proposal to help the coal industry by a tax of 10 francs on every ton of

coal imported met with well-founded opposition from all other industries.

	Production	Coal	Steel
		Metric Tons	
1936.....	27,875,000	3,105,000	
1937.....	29,680,000	3,775,000	
1938.....	29,575,000	2,213,000	

During 1938, coal stocks increased by 1½ million tons. The metal industries at the end of the year were producing at a rate equivalent to 2,700,000 tons annually.

Foreign Trade.—Belgium's foreign trade inevitably fell away in 1938, but the decline was no more severe than the average fall in other countries. In the closing months of the year signs of recovery were noticeable—more so than in most other countries. Indeed, in the last quarter, Belgian trade showed an export surplus—which is very unusual for Belgium, where important invisible exports normally cover a surplus of imports.

	Foreign Trade	Imports	Exports
		Millions of Francs	
1936.....	21,700	19,750	
1937.....	27,650	25,500	
1938.....	23,185	21,730	

Exports to Germany have suffered from the foreign exchange policy of the Reich; and sales to France were hit by the devaluation of the franc.

Money and Finance.—The Belgian franc remained fairly stable, except in May, when the French devaluation apparently threatened the Belgian exchange. Otherwise the Belga has remained near the gold import point, and there have been important gold imports. In the May panic, it is true, 4,000 millions of gold were exported in a few weeks; but by the end of the year this gold was back again in the National Bank. The official gold reserve of the National Bank amounted, at the end of the year, to more than 17,000 million francs; and to this must be added the Treasury's reserve and the excess gold reserves of the National Bank. The country's total gold reserves amounted to 22,500 million francs in all. Discounts and advances made by the National Bank went up during the May panic, when the volume of stocks and securities increased sharply from 1,000 million francs to 2,500 millions, falling again rapidly afterwards. During the international crisis of September, although the National Bank continued to receive gold, it had at the same time to increase the amount of its credits to allow private banks to meet their depositors' demands. By the end of the year these exceptional credits had been refunded.

Prices on the Brussels Stock Exchange have, on the whole, depreciated abnormally, the chief factor in this decline being the international situation. Financial operations in 1938 were not of great magnitude. Share issues were relatively unimportant. But dividends paid were considerable, amounting, for the complete year, to 4,200 million francs, against 3,800 millions in 1937. It is feared, however, that the year 1939 will be much less favourable in this respect.

Savings.—National savings were again high. Hoarding was widespread. The Savings Bank (*Caisse d'Epargne*) closed the year with the same volume of deposits as a year ago (approximately 12,500 million francs), and the banks show an appreciable reduction in current accounts.

Spain

THROUGHOUT the course of another year the Spanish Civil War has continued unabated, and, although important developments have occurred in the last few months, culminating in the fall of Catalonia, the position has not yet reached a point where a certain cessation of the tragic and impoverishing conflict can be definitely forecast. In existing circumstances, it is still quite impossible to foresee how the country will emerge economically from the struggle, or to appreciate how far-reaching the results may be upon general business conditions there. The Insurgent forces under General Franco now occupy more than two-thirds of Spain, having, in the spring offensive, carried their lines on the Northern front through to the Mediterranean, and cut off Catalonia from the remainder of the Government territories radiating southwards and eastwards from Madrid to the sea.

Foreign Trade.—The overseas commerce of Republican Spain is at a serious disadvantage by reason of the vulnerability of its ports (now located only on the Mediterranean) and the ships that serve them to attacks by the Insurgent navy and aircraft. The disposition of the Insurgent zone, on

the other hand, gives ample shipping facilities, as this territory includes the whole of the coastline on the Atlantic as well as several important ports on the Mediterranean seaboard. Figures published by the British Board of Trade show that United Kingdom trade with Spain as a whole has contracted very considerably since the outbreak of the war, and, although it is not possible to say with any exactitude to what extent the smaller trade with the United Kingdom can be ascribed to diversion of commerce to other countries, or to an actual fall in the total volume, it is believed that shipments from Insurgent Spain to both Italy and Germany are now at a higher level than in 1935. Exports from Government territory to France are likewise understood to be well maintained, as well as French shipments to Spain.

Imports from the whole of Spain (excluding the Canary Islands) into the United Kingdom were officially reported to have fallen in value from £11,119,000 in the year 1935 to £8,628,000 in 1937, and to £4,296,000 in the first nine months of 1938. Similarly, British exports and re-exports to Spain totalled £5,758,000 in 1935, only £3,411,000 in 1937 and £3,275,000 in January-September, 1938. Although British export trade to Spain, taken as a whole, was smaller in 1938 than in previous years, coal exports showed a sharp expansion, shipments in the first nine months being valued at £981,150, against £597,842 and £564,234 in the same periods of 1937 and 1936, respectively. Similarly, shipments of coke and manufactured fuel advanced in value to £110,931 from £84,935 in January-September, 1937, and £47,584 in the same months of 1936. Shipments of iron and steel and iron and steel manufactures fell to £150,953 from £282,795 in 1937, but compared with £88,978 in 1936. Other important exports from the United Kingdom included tin, machinery, chemicals and codfish.

Among British imports from Spain, outstanding increases have occurred in iron pyrites—from £159,869 in the first nine months of 1936 to £320,119 in the same months of 1938—and in non-ferrous metals which advanced from £180,340 to £327,340. Arrivals of iron ore and scrap from Spain, on the other hand, have shown a declining tendency. Imports of potatoes from Spain have shown a sharp reduction, but potatoes and tomatoes imported from the Canary Islands are higher in value than in 1935, although bananas are slightly lower in aggregate worth. Exports of Spanish wine to the United Kingdom have been maintained, but oranges and lemons are both on a smaller scale.

Finance.—The effects of the war upon Spain's finances cannot yet, of course, be gauged, but undoubtedly the wastage of national resources must have been, and must still be, enormous. Insurgent territory comprises areas rich in minerals, olives, wines, etc., and exports of these products have no doubt been fostered as the principal means of paying for the supplies necessary to prosecute war. The Madrid Government, on the other hand, was in possession of the country's official bullion reserves, but it is not known to what extent these have been drawn upon. Exchange rates might be expected to reflect the strained economic position, and, although the Government official rate is now about Ptas. 110 to the £ sterling against 36½ at the outbreak of hostilities in July, 1936, the rate controlled by the Burgos authorities is only Ptas. 42.45. The comparative measure of depreciation is evidenced by the periodically-fixed surcharge which is applied where Customs duties—expressed in gold—are paid in paper pesetas: in July, 1936, this surcharge was about 138 per cent., and in early 1938 was 266 per cent. in Barcelona (to which city the seat of Government had then been transferred) and 177 in Burgos. At the close of 1938 the Government surcharge had risen to 637 per cent. and the Insurgent to 196 per cent.

Portugal

PORTUGAL'S present financial and economic outlook is dull but sound. Expansion of the corporative idea, with the State as guide and protector rather than dictator, is based on the cumulative experience of the past ten years. Living costs have been kept stable; social services and indirect benefits to labour are growing in scope and importance.

Trade.—Trade in 1938 showed a slight drop when compared with the 1937 figures. Taking a conto (1,000 escudos) as the equivalent of £10, the comparison, in round numbers, reads as follows:—

(1st eleven months)			
Imports	Exports	Imports	Exports
1937	1938	1937	1938
£20,031,000	£18,865,000	£10,189,000	£10,993,000

The changes in Portugal's trade with principal countries were as follows:—

	Imports from Percentage of Total Imports		Exports to Percentage of Total Exports	
	1937	1938	1937	1938
United Kingdom.....	19.07	17.78	21.38	21.09
Germany.....	14.82	15.61	10.93	13.51
United States.....	10.85	11.23	8.11	5.19
Belgium-Luxemburg.....	9.01	6.56	4.79	4.75
Brazil.....	2.85	2.14	4.14	5.79

Increased shipments of resin and turpentine account almost entirely for the rise in Germany's share of Portugal's exports.

Banking and Savings.—The latest banking returns reflect the trade recession. Comparing 1938 with 1937, one notes a small drop in cash in hand and deposits with other banks, a slight contraction in both sight and time deposits, and a small increase in discounts and advances. The better-off middle classes, whom it would be misleading to call *rentiers*, inasmuch as they are almost all still active in business or the professions, have been very hard hit by Brazil's default. Local estimates put at some sixty millions sterling the amount of Portuguese savings invested in Brazil and now receiving little or no return. Hence personal retrenchment has been widespread, with the natural and direct effect on consumption. The year 1938, inauspicious commercially everywhere, has hit Portugal, but she is still better placed for taking immediate advantage of even a slight improvement in world trade than are many larger countries—especially if the end of the troubles in Spain are in sight. This would mean brisk business, to say nothing of a resumption of tourist traffic hither, a source of direct income which before 1936 brought to Portugal and her Atlantic islands, Madeira and the Azores, close on £1,000,000 per annum.

Finance.—Dr Salazar's cardinal principle, living within one's income and keeping something in hand, will, judged by the Budget figures available to November 30, 1938, show a surplus of receipts over expenditure of 422,420 contos, this figure including the carry-forward from 1937 of some 215,325 contos. The estimates for 1939 perforce show a sharp increase in extra-ordinary expenditure—the allocation to the Ministry of War is doubled at 400,000 contos and there is an increase of 56,163 contos for public works and communications—but, as the following table shows, there will still be an estimated net surplus if all goes well.

1938 (contos)		1939 (contos)	
Ordinary Revenue	Extra-ordinary Revenue	Ordinary Revenue	Extra-ordinary Revenue
1,994,600	477,900	2,029,200	786,000
Ordinary Expenditure	Extra-ordinary Expenditure	Ordinary Expenditure	Extra-ordinary Expenditure
1,988,200	481,000	2,019,800	793,400

It will not be easy to work to these estimates if general trade conditions take a turn for the worse. The changed position in Spain, however, and widespread signs of greater interest in Portugal's possibilities, warrant the belief that 1939 will see the Government close its books with a balance in hand.

Holland

ECONOMIC events followed a rather erratic course in 1938. The recession which set in at the end of 1937 continued throughout the spring, but the falling-off in business was arrested later in the year by the recovery in the United States. Political disturbances abroad also left their mark, and on the Amsterdam Stock Exchange and in the foreign exchange and new issue markets calm and stability was considerably upset. Generally speaking, however, the various indices of economic activity show that there is no prospect of any serious setback such as that of 1937.

Shipping.—The end of 1937 marked the end of a prosperous period in the history of Dutch shipping. The decline in world trade during 1938 did not, however, seriously influence Dutch shipping, although the year's results were, of course, well below the 1937 level. Despite the fact that the merchant fleet was increased by 130,000 tons in 1938, hardly a single ship was laid up. The index of ocean freights to and from Dutch ports fell in November to 66.9 compared with 103.7 in the exceptionally satisfactory month of November, 1937.

Money and Finance.—The market for new issues provided no reason in 1938 for rejoicing; the total of loan

issues for new investment was scarcely higher than in the preceding year amounting to 151 million guilders against 147 millions in 1937. This fact endorses the conclusion that trade and industry in this country failed to attain an appreciably higher degree of activity than in 1937. The note circulation, however, showed a material increase in the course of the year. On January 10, 1938, the circulation of bank notes amounted to 875 million guilders; by December 27 the circulation had increased to 991½ millions, a rise of 116½ millions. It might be assumed that such an increase clearly indicated greater requirements of cash for commerce and industry, but it should be remembered that most of these additional notes were brought into circulation during periods of political tension, that is to say, in March and April and in September. The notes then brought into circulation have not yet found their way back to the bank. Throughout the year, abundance of supplies of capital was reflected by extremely low rates on the money market. Prolongation money was quoted at the constant figure of ½ per cent., and private discount rates were never above ½ per cent. These rates do not apply to September, when private discount rates touched 1½ per cent. and prolongation money occasionally commanded 2½ per cent.

Foreign Trade.—Both imports and exports declined in terms of both volume and value:—

(In millions of guilders)									
	IMPORTS				EXPORTS				
	1935	1936	1937	1938	1935	1936	1937	1938	
1st quarter.....	226	233	336	357	160	156	246	254	
2nd quarter.....	229	234	410	344	159	163	286	245	
3rd quarter.....	228	243	298	352	174	194	314	288	
4th quarter.....	253	307	406	362	182	233	302	272	

(In thousands of tons)									
	IMPORTS				EXPORTS				
	1935	1936	1937	1938	1935	1936	1937	1938	
1st quarter.....	...	4,506	4,846	5,135	...	3,137	3,789	3,555	
2nd quarter.....	...	4,841	5,951	5,523	...	3,093	4,022	3,479	
3rd quarter.....	...	5,407	6,591	6,208	...	3,347	4,081	3,650	
4th quarter.....	...	5,602	6,124	5,937	...	3,961	4,131	3,746	

The heavy fall in the volume of both imports and exports after the peak of 1937, is striking confirmation of the general trend away from prosperity at the beginning of 1938.

Prices.—The course of Dutch prices was downwards:—

WHOLESALE PRICES (1926-30 = 100)		General index
	Food	
1929	100.4	99.7
1936	66.4	63.8
1937	75.8	76.2
1938 (December)	74.5	70.6

The index of the cost of living was little changed:—

(1911-13 = 100)	
1934.....	140.1
1935.....	136.2
1936.....	131.9
1937.....	137.3
1938 (December).....	137.4

It will be seen that the index has now been above the 1935 level for two years.

Finance and Industry.—There was an increase in the gold reserves during the year.

(In million guilders)					
	1934	1935	1936	1937	1938
Gold stock (Dec.).....	843	670	654	1,147	1,461
Bank note circulation (Dec.).....	891	819	760	818	978
Official discount rate ...	2.50	3.99	2.84	2.00	2.00
Private discount rate (Dec.).....	0.87	3.15	1.71	0.28	0.19

The general Stock Exchange index showed an encouraging firmness:—

	1934	1935	1936	1937	1938
General index for shares (Dec.).....	55.0	55.0	66.0	104.0	97.8
Yield debentures (Dec.).....	4.03	4.24	4.19	3.33	3.20
Issues (million guilders)—					
New money.....	209	53	201	147	151
Conversions.....	2,043	173	87	2,448	1,940

The unemployment returns continued to fall from the high level of 1936:—

	1934	1935	1936	1937	1938
(In thousands)					
Number of unemployed (Nov.).....	332.8	384.7	414.5	368.9	355.4
Coal production during the year fell below the 1937 level:					
In thousand tons.....	1938	1937	1936		
	13,487	14,231	12,802		

Switzerland

DESPITE generally unsettled conditions, the economic situation remained good. Exports were maintained and even showed some advance; and unemployment fell slightly. But there was a fall in tourist traffic and the earnings of transport undertakings were diminished.

Money and Banking.—Since December, 1936, the official discount rate has been unchanged at 1½ per cent. Interest rates on long term deposits ranged in 1938 from 1 to 2 per cent., and rates were about 1 per cent. on short term deposits. The National Bank's gold reserve oscillated between 2,786 million francs and 2,889 millions. The sterling exchange ranged between 21.61 francs to the £ in January and 20.60 francs in December. Money was abundant and cheap, and the Federal Railways, Cantons and Communes issued conversion loans at 3 to 3½ per cent. Borrowings of the Confederation, Cantons, Communes and industrial and financial concerns totalled 818,436,000 francs, against 717,500,000 francs in 1937, while foreign issues on the Swiss market totalled 114,068,000 francs, compared with 266,830,000 francs in 1937.

Finance.—The Federal finances felt the heavy burden imposed upon them by the increasing expenditure for national defence. The estimated deficit of 42 million francs for 1937 was reduced to 15 millions, but the estimated deficit of 57 millions for 1938 is likely to be exceeded. For 1939, expenditure is estimated at 568 million francs, and receipts at 481 millions, with an estimated deficit of 87 millions. The rise in expenditure is mainly due to re-armament, for which over 650 million francs have been expended during the past three years. The receipts of the Federal post, telephone and telegraph services were very favourable, the aggregate surplus being 78.9 million francs for the first eleven months, against 75.3 millions in 1937. The receipts of the Federal Railways were lower at 321.4 million francs, compared with 338.3 millions in 1937, and their surplus was 104.7 millions against 126.4 millions in 1937.

Tourists and Employment.—During January-November 3,313,000 tourists, of whom 1,358,000 were foreigners, visited Swiss hotels, compared with 3,433,000 and 1,522,000, respectively, in 1937. Unemployment was lower than in 1937, except in December when, for seasonal causes, it rose above the 1937 figure. The number of registered unemployed was 95,722 in January (110,754 in January, 1937), 48,658 in June (50,830 in June, 1937), and 91,257 in December (87,311 in December, 1937).

Trade.—Imports in 1938 were valued at 1,606 million francs, compared with 1,807 millions in 1937, and exports at 1,316 millions, against 1,286 millions in 1937. Imports from the United Kingdom were 95 million francs (112 millions in 1937) and exports to the United Kingdom 148 millions (143 millions in 1937). The main features of foreign trade were the increase in machinery exports, which totalled 236 million francs, against 188 millions in 1937, and the satisfactory sales of the watchmaking industry, which amounted to 241 million francs, against 239 millions in 1937.

The index of wholesale prices (1914 = 100) ranged from 110 in January to 106 in December, while the cost of living index (1913 = 100) fell from 138 in January to 137 in December.

Eastern Europe

Hungary

THE outstanding event in 1938 was the return of 4,875 square miles of territory from Czecho-Slovakia as a result of the Munich Conference. The population of the territory is about one million, and the total population of Hungary now exceeds 10 millions. In addition to a German minority of about 500,000, there is a Slovak minority of approximately

300,000. There are about 600,000 Jews in all Hungary who, under proposed legislation, will have a special status; their economic and cultural activities will be restricted. As a result of the Austrian Anschluss and the inclusion of Czecho-Slovakia in the German political and economic orbit, Hungary has become increasingly dependent, both economically and politically, on Germany.

Economic recovery was interrupted by the radical political and social changes and the almost chronic uncertainty, which prevailed through the greater part of the year. In spite of the good harvest, the balanced Budget and the considerable export surplus, leading stock prices reached the lowest level for many years by the end of 1938. The severe recession in the stock market is largely caused by uncertainty about the economic status of the Jews who control or own a large part of the country's mobile capital. A contributory factor is the capital levy, necessitated by the re-armament and public works programme.

Five-Year Plan.—The operation of the Government's five-year plan for military equipment and social improvements, especially in rural districts, involving an expenditure of 1,000 million pengő, of which 400 millions will be raised by loans and 600 millions by a capital levy spread over several years, began in the second half of the year. The breaking up of large estates and the settlement of landless peasants also made appreciable progress.

Public Finance.—The ordinary Budget for 1937-38 disclosed a surplus of 68.8 million pengő and has more than counterbalanced the 49.3 millions deficit on the State enterprises. The surplus was spent on public works. Total receipts of the Administration in the budgetary year, ended June 30, 1938, amounted to 900 million pengő, against 871 millions in the preceding year. Revenue in the second half of 1938 continued to come in satisfactorily, and, in spite of the heavy military expenditure incurred on account of the mobilisation in the autumn, the available funds of the Government with the National Bank at the end of the year were still over 140 million pengő.

Currency and Credit.—The balance sheet of the National Bank reflects the important changes that have taken place in Greater Hungary. The note circulation of the bank at the end of the year amounted to 863.0 million pengő, against 466 millions at the end of 1937—an all-time high—which is partly explained by the exchange of Czecho-Slovak banknotes in the Northern districts into pengő notes, and partly by the withdrawal of saving deposits amounting to approximately 100 million pengő. The gold and foreign exchange holdings of the National Bank have risen from 149.4 million pengő to 220.6 millions. The Czecho-Slovak notes in the bank's portfolio are not included in the exchange reserve. The commercial bill portfolio of the bank increased slightly to 511 million pengő, compared with 449.7 millions at the end of 1937. The Government debt to the bank has increased to 191 million pengő as a result of the land reform policy. A special Government credit for the exchange of the Czecho-Slovak banknotes amounting to 78 million pengő was included in the Bank's balance sheet at the year end.

Foreign Trade.—In the first 11 months of the year the value of foreign trade increased by about 10 per cent. compared with the same period of 1937. Comparative figures are as follows:—

	In million pengő	
	1937	1938
Exports	528.4	478.0
Imports	428.7	373.5
Export Surplus	99.7	104.5

The increase in the export surplus is due to larger exports to Germany. Including exports to the former Austrian territory, Hungary's export surplus to Greater Germany increased from 24 million pengő in 1937 to 61 million pengő in the first 11 months of 1938. On the other hand, the export surplus to Italy in the same period fell from 40 to 20 million pengő. In spite of the increasing difficulty of securing convertible foreign exchange, Hungary has met the service of her foreign debts as agreed with her creditors in 1937.

Czecho-Slovakia

The Crisis.—Throughout 1938 Czecho-Slovak economic life was strongly under the influence of political events. Austria's Anschluss with Germany in March had considerable significance for Czecho-Slovakia, owing to Austria's

close economic relations with this country. Subsequent political agitation in no way improved the economic conditions in the Sudeten area and brought unrest into the money market. On May 21st part of the military reserves were called to arms. The Government later negotiated with the Sudeten-Germans and accepted the English suggestion that Lord Runciman should be sent to Czecho-Slovakia as a mediator. His efforts remained without effect. The Czecho-Slovak Government accepted almost all Henlein's demands, but he broke off negotiations. The Government had then nothing to do but accept the Anglo-French proposals. M. Hodza's Government was replaced by the Government of General Syrový. On September 23rd mobilisation was ordered. On September 30th the Government accepted the Munich agreement. President Benes resigned. In Slovakia and Subcarpathia independent governments were formed and the State was turned into a Federal Commonwealth. An agreement with Poland was reached regarding new boundaries and boundary revision between Slovakia and Hungary took place after the decision of the Vienna Conference. The Czecho-Slovak people remained on the whole steady. Peace was saved at the expense of Czecho-Slovakia, and the treaty obligations of her allies utterly broke down.

The diminished Czecho-Slovakia has been forcibly associated with the area dominated economically and politically by Germany. The external and internal orientation of Czecho-Slovak policy has altered. New forms of administration in Slovakia and Subcarpathia had to be created to conform to the Federal organisation. Party organisation was radically simplified by creating one political party only in Slovakia and Subcarpathia and a two-party system in Bohemia and Moravia. A new Constitution is being prepared.

The Price.—As a result of the Munich agreement Czecho-Slovakia lost 29.60 per cent. of her territory, and 33.42 per cent. of her inhabitants (including 1,161,016 Czechs and Slovaks). According to Polish statistics, in the territories ceded to Poland in the Teschen area there are more Czechs than Poles. Czecho-Slovakia consists now of 98,912 square kilometres and 9,807,096 inhabitants; 88.09 per cent. are Czechs and Slovaks. The German minority amounts to 3.90 per cent. and under present conditions is in a privileged position.

Czecho-Slovakia has lost 32.6 per cent. of her arable area; 63 per cent. of her hops, 84 per cent. of her tobacco, 59.7 per cent. of her vineyards, 36.3 per cent. of her fruit-trees, 26 per cent. of her forest, 31.3 per cent. of her cattle, and 30.1 per cent. of her swine. The greatest loss in mining is the loss of 54.7 per cent. of her coal and 93.2 per cent. of her lignite. In industry the greatest losses concern ceramics, glass, textile, musical instruments, toys, paper, hats, gloves, artificial flowers, small metal wares, fats, oils, dyes and similar chemical products. The task of readjustment is tremendous, and is being tackled by drastic internal administrative reorganisation and external negotiations.

Finance.—Owing to the crisis it was not possible to pass the Budget in time. The Government have prepared a Federal Budget and decided what revenues will be reserved for this purpose. Beside this, however, it will be necessary to prepare three separate Budgets for Bohemia-Moravia, Slovakia and Subcarpathia.

In September a moratorium was proclaimed limiting the free removal of deposits and the Stock Exchange has been closed. The uncertainty led to withdrawals and hoarding, but at the end of the year calm set in, deposits rose and outstanding currency declined.

Agriculture and Employment.—The harvest (for the whole former area of Czecho-Slovakia) is shown in the following figures:—

	Trucks		Trucks
Wheat	176,419	Oats	136,271
Rye	186,663	Maize	27,911
Barley	132,566		

The number of unemployed persons in January was 519,002, in September 61,697 and in December 142,316. Wholesale and retail prices rose a little; the wholesale index in January was 732, in April 727, in December 764.

Trade.—The most important event in commercial policy was the conclusion of a treaty with the United States of America on March 7th. Then, apart from the current adjustments and agreement, there have been negotiations with Germany regarding a duty-free regime with Sudetenland and a supplementary commercial agreement after the Anschluss.

Statistics of foreign trade cannot be properly compared with previous years owing to the territorial changes.

(In Mil. Cz.K.)

	Imports	Exports
1936	7,915	8,036
1937	10,982	11,983
1938 (Jan.-Sept.)	6,889	8,520
1938 (Oct.-Nov.)	1,500	1,722

The export surplus for January-September amounted to 1,631 million Cz.k. and for October-December 222 million Cz.k.

Poland

THE steady growth of the armament industry, the creation of a new industrial region in "the strategic triangle," and further development of the public works programme were mainly responsible for raising Poland's industrial output in 1938 to the highest level yet recorded. With a base figure of 100 for 1928, and a "depression low" of 54 in 1932, the general index of industrial production reached 147 in the final quarter of 1938. The acquisition from Czecho-Slovakia last October of the industrial region of Teschen-Silesia has substantially increased Poland's potential production of coal and foundry products, but the problem of finding markets for this increased production has not yet been solved.

It is disquieting that so much of the increased employment of labour and consumption of raw materials was required for military purposes, and that, in spite of all the effort and sacrifice involved, the political changes which occurred in 1938 much more than neutralised the growth in armaments. Authorities estimate that, if the military relationship between Poland and Germany was of the order of one to six at the beginning of 1938, the ratio at the end of the year was about one to ten. Increased expenditures on armaments and public works are proving an effective barrier to improvement in the standard of living. For at least 30 millions out of Poland's population of 35 millions the standard of living is probably the lowest of any European country.

Finance.—The Treasury and subordinate authorities now have a complete monopoly of the capital market, and investments in public works and the new industrial region are absorbing savings as fast as—if not, indeed, much faster than—they accrue. Complete and up-to-date figures on Treasury indebtedness, however, are not available. No new foreign loans were secured in 1938, and sales of munitions to countries at war, which were an important source of foreign exchange in 1936 and 1937, ceased about a year ago. With the defence programme requiring increased imports, the exchange reserves of the Bank of Poland were subjected to much strain in the latter part of 1938. The restrictive measures on dealings in foreign exchange were made still more drastic in November, 1938, when Polish citizens were ordered to make their foreign assets available to the Government. Gold and foreign currencies hoarded by Polish citizens in Poland, however, have not yet been called in. According to the published figures the gold and foreign exchange holdings of the Bank of Poland, which stood at 471.0 million zlotys at the end of 1937, were 463.2 millions at the end of 1938. The circulation of bank notes increased during the year from 1,060 to 1,406 million zlotys. Net gold exports in 1938, according to the foreign trade returns, were valued at 11.3 million zlotys. In 1937 there was a net gold import of 120.9 million zlotys. Conditions on the Stock Exchange, although quiet, improved steadily throughout 1938, the yield on Government stocks and high-grade mortgage bonds showing an average decline of nearly 2 per cent. to about 7½ per cent. There was an all-round increase in equity share prices, in some cases of more than 50 per cent.

Foreign Trade.—The following are the official trade figures for the last three years:—

	Imports	Exports	Balance*
	(In millions of zlotys)		
1936	1,003.4	1,026.2	+ 22.8
1937	1,254.3	1,195.5	— 58.8
1938 (prelim.)	1,300.4	1,184.8	— 115.6

* Export surplus +. Import surplus —.

Imports from the United Kingdom, compared with 1937, fell slightly, and there was a small increase in exports other than to the United Kingdom. From Germany, however, imports (for the first eleven months) rose from 218 million zlotys in value in 1937 to 272 millions in 1938; while exports to Germany rose from 202 to 247 million zlotys. The principal increases in commodity imports were in machinery, machine tools and electrical equipment. Coal exports rose from 11,003,449 metric tons in 1937 to 11,669,177 in 1938, or from 185 million zlotys in value to 217 millions.

U.S.S.R.

IN 1938, the first year of the third Five-Year Plan, Soviet energies were still concentrated on the campaign for political vigilance which the Communist Party had launched at the beginning of 1937. At the end of the year signs were that this campaign was drawing to a close. The long-term results of the almost complete change in personnel which it produced were still difficult to estimate. Its short-term result was a more serious slowing-up of Soviet industrial expansion than any that had occurred since the first Five-Year Plan began in 1928.

Industry.—The results of 1938 in industrial production (valued at 1926-27 prices), in milliards of roubles, are shown in the following table:—

	1937	1938	1938	1938
	(roubles: thousands of millions)			
Heavy, machine and defence industries.....	36.9	43.9	47.0	42.5
Lumber industry	3.0	3.8	3.8	2.8
Light industry	14.5	16.5	16.5	15.3
Food industry.....	12.8	14.0	14.1	14.7

The first version of the 1938 plan was published in November, 1937; the second in July, 1938. Even at the latter date Soviet planners failed to make due allowance for the economic difficulties—themselves both a cause and a result of the purges—with which factory and plant managers were contending. Total industrial production in 1938, it has been announced, was valued at 77,500 million roubles, compared with 69,200 millions in 1937. This was an increase, but far behind what had been planned. The original estimate for 1937, in the second Five-Year Plan, had been 92,700 million roubles; control figures for that year actually raised planned production to 103,000 million roubles. The original version of the 1938 control plan called for a total industrial production of 84,300 million roubles.

Detailed production figures for separate commodities have not yet been published. But it is clear that failure to fulfil the plan was most marked in the fuel industries and in those producing consumers' goods, especially textiles. Coal production amounted to 125.1 million tons, compared with a plan of 139 million tons. Cotton goods produced were 3,216.6 million metres, compared with a plan of 3,771 million metres. Slight increases were shown in some branches of heavy industry, with outputs of 15 million tons of pig iron, 18 million tons of steel and 13.5 million tons of rolled metal.

Agriculture.—Drought, which was most serious in the Volga region, in Eastern Ukraine, and in the North Caucasus, seriously affected the grain crop. No official figures have been published, but the total grain harvested has been officially stated to have been "less than in 1937," when the grain harvest was estimated at 111,384,000 tons, but "more than in 1935 or 1936," when it was estimated at 90,100,000 and 76,800,000 tons, respectively. Vegetable crops were also deficient, but the Government plan for flax was over-fulfilled, and the cotton crop was the largest on record.

Prices and Wages.—Without official figures of retail trade, turnover or prices it is impossible to document the belief of most foreign observers living in Moscow that the cash purchasing power of the Russian people has continued to increase at a much faster rate than the supply of goods and services to consumers. The country's gold production, the Government monopoly of foreign trade and a fixed price policy in retail stores have prevented this situation from developing any of the usual consequences of inflation. There has been, it is true, a slight upward tendency in prices during 1938, and occasional shortages, especially of manufactured goods, but neither of these has been severe.

The average wage, according to plan, was to be 309 roubles a month in 1938, and in many industries this figure is known to have been exceeded. In 1937 the average was 281 roubles a month. Since the production of goods by all light industries increased compared with 1937 by only 5.5 per cent. there resulted a real measure of "forced saving." Savings bank deposits rose to more than 6,000 million roubles, the increase in 1938 being 1,536 millions.

Foreign Trade.—Soviet exports and imports for the first nine months of 1937 and 1938 were as follows:—

	1937		1938	
	Thousand Tons	Thousand Roubles	Thousand Tons	Thousand Roubles
Exports	9,503	1,218,549	6,179	925,241
Imports	1,002	1,012,761	841	1,045,983
Export (+) or import (—) surplus	...	+ 205,788	...	— 120,742

An import surplus for the entire year was not expected to strain the Soviet Union's foreign bank balances after four successive years of export surpluses and with foreign commercial debt reduced to a minimum. A large part of the reduction in Soviet foreign trade during 1938 was represented by the fall in business with Germany, Japan and Italy.

Finance.—The 1938 Budget provided for income of 132,637,993,000 roubles and expenditure of 131,137,993,000 roubles. Total expenditure in 1937 was 93,921,000,000 roubles. The Red Army and Navy appropriations were increased from 18.6 per cent. of the total in 1937 to 23.5 per cent. in 1938, and this latter figure did not include expenditure on defence industries. Revenue continues to be raised chiefly from indirect taxation, with 83,300 millions from the turnover tax in 1938, compared with 75,900 millions in 1937.

Roumania

DRASTIC events in internal politics marked the year 1938. The successive steps were the suspension of the Constitution on February 10th, the pursuit of the Iron Guard resulting in the summary execution of its leaders on November 30th and the creation of a new single political party moulded on the new authoritarian Constitution published on February 21st. Such events did not favour economic revival.

Foreign Exchange.—The outstanding economic event was the abandonment of thorough centralisation of exchange transactions. The shortage of foreign exchange, caused by export difficulties, forced the Roumanian National Bank to admit, under certain circumstances, the free transfer of at least part of the *devisen* yielded by export transactions. At the end of the year the exchange rate stood at about 1,600 lei to the £, compared with an official rate of 600; the "black" rate for remittances is over 2,100 lei. In the first ten months of the year total entries in clearing accounts amounted to 11,700 millions of lei, compared with 15,100 millions during the corresponding period of 1937, and total payments of 12,900 millions against 14,700 millions.

State Finance.—The fiscal year (April 1st to March 31st), will probably end satisfactorily. Provisional figures show receipts of 28,900 millions of lei in the first 10 months of the calendar year compared with 24,100 millions in the corresponding period of 1937. The current Budget may be the third successive Budget without a deficit. The financial position of the State railways, too, appears to be steadily improving.

Agriculture.—The year's results were uneven. While wheat yielded a record crop, all other cereals, including maize, which is of outstanding importance for Roumania, fell below average levels. The total surplus available for export was returned at the beginning of the export campaign at 50,000 carloads of maize and 250,000 carloads of wheat. Maize prices were satisfactory without any State interference, but the price of wheat had to be again increased artificially by export premiums. Total exports of wheat were (in the first 11 months of the year) only 77,800 carloads compared with 93,400 in 11 months of 1937, and total exports of all cereals (maize included) were (during the first 10 months) 101,000 carloads, against 211,800. Large quantities of wheat have been recently sold to Germany (40,000 carloads) and Italy (35,000 carloads) for delivery during the spring.

Petroleum.—The falling off in oil output did not come to an end. Total output was 6.7 million tons, compared with the 1936 peak figure of 8.7 millions. Drillings fell to 300,000 metres compared with 394,000 metres in 1937. The total working capacity of all refineries is 11.6 million tons of crude oil per year, but actually they treated no more than half this quantity.

Trade.—Provisional figures show total exports of 21,700 millions of lei, compared with 31,600 millions in 1937, and total imports of 18,100 millions against 20,300 millions. The export surplus dwindled from 11,300 millions in 1937 to 3,600 millions, and this accounts for the heavy exchange strain. All the main export commodities declined; not only cereals and oil products, but also lumber.

Domestic trade was satisfactory, except during periods of political trouble. The aggregate output of electricity by 44 plants was (first eight months) 276.3 millions of kw., against 261.2 millions in eight months of 1937; and the turnover of most of the industries producing consumption goods is likely to reach the 1937 level.

Jugoslavia

Two divergent trends were the dominant features of Yugoslav economic life throughout 1938. One was a shrinkage of exports; the other a steady progress in domestic business, which, although it became less marked towards the end of the year, stood up well to the political shocks of the autumn. On balance, the year was a fairly good one, estimated national income increasing from 44,200 million dinars to 46,700 millions.

Foreign Trade.—In contrast to the previous year, 1938 saw a persistent falling away in foreign trade. Exports fell from 6,272 million dinars and 4,557,000 tons in 1937 to 5,047 million dinars and 3,702,000 tons in the course of 1938. Imports during 1938, on the other hand, in spite of a decline of nearly 5 per cent. in value from 5,234 million dinars to 4,975 millions, increased in volume by close on 15 per cent. from 1,105,000 tons to 1,270,000. In 1937 there was an export surplus of 903.7 million dinars; last year there was a surplus of exports amounting to 72.1 millions. The seriousness of the decline in exports lies in the fact that it occurred in trade with countries paying cash, and thus caused towards the end of the year a shortage of *devisen*. Smaller exports to countries paying in *devisen* were the result of the high price level obtaining in Yugoslavia in consequence of the high prices paid for Yugoslav produce by German importers. As a corrective measure, the Government has introduced an export rate of 262 dinars to the £ sterling against the previous rate of 238, and is planning to control both exports to countries with which it has a clearing arrangement and imports from countries paying in *devisen*.

Agriculture and Industry.—The year 1938 brought another record harvest, in spite of the fact that maize, with 44 million metric tons, yielded 9.3 million tons less than last year. The wheat crop was 30.3 million metric tons, against 23.5 millions last year; barley, rye and oats yielded an average of 10 per cent. more than in the previous year; grapes gave a record vintage of 4,000,000 hectolitres of wine, while other fruit crops were also good.

The most notable industrial progress was made in mining and metallurgy, owing to new mining developments and the setting up of several large enterprises, in some of which the Government took a prominent share. In mining the index of production increased from 140.4 to 158.4, and in smelting from 147.8 to 274.2 between November, 1937, and November, 1938. Headway was also made in the textile, chemical, mill, sugar and brewing industries, while forestry products, after a setback, showed signs of revival. Industrial progress is reflected in the increase in the number of insured workers from 716,700 in September, 1937, to 754,700 in September, 1938, and a slight increase in average daily wages from 23.42 to 24.32 dinars. The increase in wages, however, was to some extent neutralised by the rise in retail prices from 89.3 to 92.5 between November, 1937, and November, 1938, though the index of wholesale prices fell during the same period from 79.5 to 76.7.

Finance.—In finance the year was satisfactory. In spite of a smaller inflow of *devisen* the National Bank cover increased by 200 millions to 1,909 million dinars. Bank deposits in November showed a slight increase over November last year, amounting to 11,054 million dinars, against 11,033 millions; the modesty of the rise is explained by the fact that money only started flowing back into the banks in November after a wave of withdrawals during September and October. Deposits in State guaranteed institutions have for the most part come back, but deposits in private banks are still below last year's levels. The influx of new capital into joint-stock companies was greater than in 1937, amounting to 1,038 million dinars during the first nine months of last year.

The State Budget benefitted from the general business activity of the year, receipts for the first eight months of the 1938-39 budgetary year being 8,170 million dinars against 7,836 million dinars in the first two-thirds of the previous budgetary year. Expenditure during the same period was 7,260 million dinars, making a surplus of 920.3 millions. During the year settlements were reached with French, British, American and Swiss holders of Yugoslav loans, the amounts to be paid in cash by the Yugoslav Government being stepped up.

Bulgaria

In spite of unfavourable conditions abroad, the past year was satisfactory for Bulgaria in almost every way. The second quarter of the year registered some slackening in economic activity, but this was largely offset by a recovery

during the second six months. The general price index (1926 = 100) rose to 75.5 at the end of November, against 72.3 in November, 1937, a rise of 3.2 per cent. The rise in export prices was appreciable, amounting to more than 20 per cent.

Agriculture.—Owing to poorer crops Bulgaria was not in a position to export any cereals, but was content to export fruit, vegetables and other foodstuffs to Germany at prices considerably higher than world prices. Total cereal crop production amounted to 3,400 thousand tons, against 3,600 thousand tons in 1937, while tobacco production fell from 35,000 tons to 17,000 tons. Deficient cereal crops were balanced by abundant vegetables, grapes and other fruit, which even made it possible to increase the volume of Bulgarian exports. The embargo imposed on exports of cereals and forage-foods raised their domestic price, and the Cereal Board fixed the price for wheat and rye at about 250 per cent. over their world prices. This improved farmers' income and permitted industrial production to increase by 10 per cent.

Money and Banking.—Bank deposits increased by about 10 per cent. compared with the preceding year up to the end of September. The higher level of exports and increased industrial output led to the maintenance of banking activity, though there was no expansion of investment owing to general fluctuations and uncertainty. For the same reason the maximum level of rediscounts with the National Bank was only 850 million leva (in October) against a peak of 1,300 million leva in 1937. The average monetary circulation was 2 per cent. lower than in 1937. The gold stock of the National Bank showed a slight fall of 12 million leva during the first half of the year, and at the end of 1938 it amounted to 2,006 million leva.

The foreign exchange stock of the bank increased steadily and exceeded the record high level of 1,000 million leva. Unfortunately this increase was only in clearing exchange, the free-exchange position of the bank having considerably weakened, because export trade is chiefly directed to countries with which Bulgaria has clearing agreements. The shortage of free exchange is acutely felt.

Foreign Trade.—The value of Bulgaria's exports in 1938 was 5,578 million leva, against 5,019 millions in 1937, an increase of 11 per cent. As the estimate includes the compensation premiums paid, the actual increase in value is only 5 per cent. Imports, although greater in volume, fell in value by 1 per cent., totalling 4,934 million leva in value, against 4,986 million leva in 1937. Again, if the premiums are allowed for, the decrease is about 6 per cent., owing to lower prices of imports. The export surplus is estimated at 559 million leva, against only 52 millions in 1937. The lack of cereals and industrial plants for exports, previously directed to countries with free exchanges, has limited Bulgarian exports to countries with clearing *devisen*. Germany's share of Bulgaria's export trade has increased (Austria included) from 47 per cent. in 1937 to 58 per cent. in 1938, while imports from Germany fell from 57.5 per cent. of total imports to 52 per cent. Exports to countries with clearing systems increased from 67 per cent. of the total in 1937 to 81 per cent. in 1938. Exports to the United Kingdom fell from 14 per cent. of total exports in 1937 to 5 per cent. in 1938.

The Budget.—Economic recovery favourably affected ordinary State receipts, which, together with State railway receipts, amounted to 9,848 million leva in 1938, against 9,348 millions in the preceding year, an increase of 6 per cent. There was a surplus on the 1938 Budget of 460 million leva.

Greece

ON the whole, 1938 was a good year for Greece, thanks to good harvests. Economic activity was maintained at a satisfactory level, despite unfavourable international developments.

Agriculture, Industry and Commerce.—The yield of cereals, currants, wines, fruits and vegetables was abundant and of good quality. The output of tobacco, olive oil and cotton was smaller than last year's.

Industrial production was generally brisk and, aided by public contracts, showed an increase over the previous year. The index of production for the first nine months was 164.24 (1928 = 100), against 151.69 in the corresponding period of last year, or an increase of 7.27 per cent. Stocks were normal, but prices tended to recede, owing to the fall in the price of raw materials, strong competition, and reduced internal demand.

Foreign Trade.—Provisional figures for the first eleven months of 1938 show, compared with 1937, a small increase

in the volume and value of foreign trade. Imports were larger in quantity but lower in value, while exports were smaller in quantity but higher in value.

	1937		1938	
	Volume Tons	Value Millions Drachmæ	Volume Tons	Value Millions Drachmæ
Imports	2,474,534	13,848	2,511,464	13,526
Exports	1,253,035	7,782	1,240,644	8,468
Surplus of imports		6,066		5,058

The import surplus shows a decrease of Drs. 1,008 millions compared with the first eleven months of 1937. Imports fell in value from July, while the value of exports increased considerably in October and November. Germany again heads the list of countries trading with Greece. Imports from Germany in the eleven months amounted to Drs. 3,898 millions and exports to Germany to Drs. 3,119 millions. New compensation and clearing agreements were signed with Yugoslavia, Czechoslovakia, Bulgaria, Germany, Turkey and Italy.

Banking and Finance.—Bank advances had declined by the end of October (compared with October, 1937) from Drs. 21,106 millions to Drs. 20,240 millions, while investments had increased from Drs. 1,760 millions to Drs. 3,371 millions. The proportion of cash and balances with other banks to sight liabilities had fallen from 11.3 to 8.5 per cent.

The Budget accounts for the first eight months of the current year show the following results, compared with the corresponding months of the previous financial year:—

	Financial Year	
	1937-1938 April-Nov., 1937	1938-1939 April-Nov., 1938
(In millions of drachmæ)		
I. Revenue—		
(a) Estimated (for the whole year)	16,093	14,738
(b) Collected (8 months)	8,960	8,782
II. Expenditure—		
(a) Estimated (for the whole year)	17,030	15,711
(b) Liabilities incurred (8 months)	15,017	13,856
(c) Payments effected (8 months)	8,509	8,025

No agreement has yet been reached with the foreign bondholders about the service of the foreign debt, and the authorities continue to pay 40 per cent. of the full service.

Northern Europe

Denmark

THE traditional policy of strict neutrality was further emphasised by the Copenhagen declaration of July 24, 1938, whereby Denmark, together with Belgium, Luxembourg, Finland, Holland, Norway and Sweden, released herself from Article 16 (the sanctions clause) of the League of Nations Covenant. This step has been fully justified by subsequent developments and doubtless contributed to the feeling of relative safety from being drawn into European political storms that has prevailed in Denmark throughout the year. The Stauning Cabinet remained in power, as it has done since April 29, 1929.

Public Finance.—The State finances remain satisfactory, as the following figures suggest:—

	Accounts 1937-38	Budget 1938-39	Budget Bill 1939-40
	(in million kroner)		
Total revenue	520.9	492.8	489.9
Hereof: Taxation	193.8	185.1	182.9
Duties	301.5	292.6	295.0
Total expenditure	497.4	490.2	485.9
Hereof: Social purposes (sick benefit, old-age benefit, etc.)	162.9	165.9	173.7
Furtherance of trade and industry	57.7	35.0	34.7
Defence	59.2	59.1	52.8
Surplus	23.5	2.6	4.0

Business Activity.—There was a marked difference in economic activity between the first and the second half of

the year. Until June, prices continued the decline already begun in 1937; the wholesale price index in June was 111, against 119 in January. Since then the index has remained, practically speaking, steady. The continued fall in the prices of grain and feeding stuffs was offset by a considerable increase in prices of other goods, especially animal products. The index of import prices was higher during the first half of the year than in the second, but the total value of imports was lower during the first than during the second half of the year, owing to a shrinkage of activity in the building trades and other industries. There was a postponement from month to month of purchases both of raw materials and semi-manufactured goods. About the middle of the year the trend was reversed. The change was at first only slightly in evidence; later on it was speeded up by the favourable effect of an abundant harvest on agriculture. Prices of grain and feeding stuffs continued to fall, but prices of finished products were well maintained or even improved slightly. The passing of the political crisis at the end of September also gave rise to numerous purchases which had been temporarily held up. The building trades picked up, and increased activity in trade and industry created a demand for bank loans simultaneously with rising imports.

Foreign Trade.—In the field of foreign trade the rigid import control exercised by the Exchange Control Office was lifted for a great number of raw materials, semi-manufactured goods and certain consumers' goods. In most instances the revision of import restrictions resulted in immediate falls in price and larger selections of goods were offered for the benefit of consumers. The value of foreign trade in the last three years has been as follows:—

	Total imports	Total exports	Import surplus
	(in million kroner)		
1936	1463.7	1351.4	112.3
1937	1673.8	1568.5	105.3
1938 (preliminary figures)	1640.9	1550.6	90.3

Trade with Great Britain and Germany has moved as follows:—

	Imports from :	Exports to :
1937 :—	(in million kroner)	
Great Britain	637,628	824,078
Germany	404,275	297,449
1938 :—		
Great Britain	566,564	860,788
Germany	401,678	304,942

The increase in foreign exchange balances in the course of the year is estimated at 50 million kroner for the National Bank and the leading private banks taken together, and cash balances with foreign banks are now comfortably above 100 million kroner.

The discount rate has remained unchanged at 4 per cent., and a modest increase in loans and advances has been possible. In conjunction with the £ sterling the gold value of the krone declined by about 6 per cent. in the course of the year.

Sweden

THE year 1938 proved to be far better than was generally expected at the end of the record year 1937. The outlook for pulp, paper and timber, Sweden's main staple products, was then poor, and business activity was on the decline during the first half of the year. It recovered in the early autumn and has since shown an upward trend. The main support has been exceptionally brisk building.

Budget and Public Finance.—Budget estimates for the financial year 1939-40 provided for revenue and expenditure of Kr. 1,364 millions, compared with Kr. 1,373 millions for the current financial year. The National Debt increased during the year from Kr. 2,342 millions to Kr. 2,566 millions, mainly on account of an additional issue of 3 per cent. State bonds. The sterling rate was maintained by the Bank of Sweden unchanged at 19.40. The official discount rate has been 2½ per cent. ever since January 1, 1933.

Business Activity and Employment.—Business activity in Sweden reached its peak in August, 1937, when the general index of Swedish business activity (1935 = 100) reached 124.2. In January, 1938, the index was already down to 117.9, and subsequently it fell to the recent low record of 112.6 in July. In early autumn increased building activity caused a gradual recovery and in November the index was up

to 119.4. At the turn of the year building was working at full capacity. This has favourably affected the output of building materials, particularly of lower grade iron and steel. The index of iron and steel consumption rose from 94 in July to 126 in November. As the building industry employs, directly and indirectly, about one-third of all persons employed in industry, employment was satisfactory.

Foreign Trade and Prices.—The value of foreign trade fell (compared with 1937) by 8 per cent. for exports and 2½ per cent. for imports. In view of the highly unsatisfactory state of the markets for timber, pulp and paper, the decline might have been worse, but, as it was, the falling-off was partly counterbalanced by higher prices for iron ore and increased exports of engineering products. The value of imports fell from Kr. 2,123 millions in 1937 to Kr. 2,068 millions in 1938, while exports fell from Kr. 2,000 millions to Kr. 1,839 millions. Timber exports declined from Kr. 262 millions to Kr. 200 millions (or 24 per cent.), while pulp and paper exports fell from Kr. 588 millions to Kr. 472 millions (20 per cent.). Coal and coke imports totalled 7.71 million tons, compared with 8.94 million tons in 1937, and petrol imports were 738 million litres, compared with 664 million litres in 1937. Wholesale prices reached their record high level in July, 1937, when the general index of wholesale prices compiled by Professor Silverstolpe (1913 = 100) reached 143. At the beginning of 1938 the index was down to 137 and then fell further to 121 at the end of the year.

Money and Banking.—Money was easy throughout 1938. Interest rates were low; and this has become a subject of great concern for insurance companies and savings banks. Low money rates are a stimulus to industrial activity, and particularly to building activity, but large sections of the population, who derive their income from savings or have to pay insurance premiums, suffer adversely. The three big investment groups, commercial banks, insurance companies and savings banks, are at present studying means to stabilise interest rates at their present level. The reason for the present accumulation of funds is the credit surplus in the Swedish balance of payments, due to the absence of foreign lending and the influx of refugee money. At the same time saving is on the increase owing to the growth of life insurances. During the year the Bank of Sweden increased the gold reserve from Kr. 539 millions to Kr. 707 millions, valued at the statutory gold parity. At the same time, the total foreign currency reserve of the Bank of Sweden and the joint-stock banks declined from Kr. 916 millions to Kr. 711 millions.

Norway

IN spite of the recession which was in full progress on international markets at the beginning of the year, conditions in Norway continued to be favourable, at least during the first few months of the year. Activity was well maintained, although signs of anxiety and hesitation were not lacking as international complications continued to increase in force and significance. But a general review of industry and trade leaves the impression that conditions were less influenced by these circumstances than might have been anticipated. There were no alterations in the political composition of the Government, but on three different occasions the Premier had to have recourse to a referendum, which left him with a comparatively narrow parliamentary margin. The question of sanctions was thoroughly discussed at a meeting of the four Premiers of the Northern countries, at which the necessity of observing strict neutrality in international conflicts was strongly emphasised.

Budget and Finance.—The national accounts for 1937-38 closed with a surplus of 36.6 million kroner, revenue exceeding estimates by 57.5 millions, while expenditure was 21 million kroner in excess of estimates. The Budget for 1938-39, with total expenditure of 565.7 million kroner, represents an increase of 32 million kroner on the preceding Budget.

The money market has been characterised by an abundance of liquid funds. Low deposit rates created a heavy demand for Government and other gilt-edged securities, with consequent rising prices. This movement continued until September, when there was a temporary setback. The official discount rate was reduced on January 5th to 3½ per cent., and remained at this level all through the year. The note circulation rose from 449 million to 477 million kroner, while gold in the vaults increased from 135 million to 152 million kroner. Deposits with the Norges Bank rose by about 27

million kroner, while there was a slight decrease in loans and discounts, and a similar movement is traced in the balance sheets of private and savings banks. Most of the banks have increased their actual earnings, but expenses (especially taxes) have been higher, the result being practically unchanged net profits. Easy conditions in the money market induced the Government, as well as a number of municipalities and private concerns, to convert redeemable loans at very favourable terms. The stock market was greatly influenced by foreign market conditions, especially shipping, whaling and industrial shares; the tendency was downwards, while banking, insurance and miscellaneous shares were steady to firm.

Trade and Production.—The Norwegian kroner, as a "member" of the sterling bloc, depreciated in terms of dollars, the rate fluctuating between 3.98 and 4.32. The value of imports during the first eleven months was 1,095.4 million kroner against 1,186.4 millions in eleven months of 1937, while exports were valued at 700.7 million kroner against 737 millions. The decline in the value of exports was chiefly due to reduced shipments of paper and pulp, and also of timber, hides and metals. On the other hand, there was an increase in exports of minerals, fodder and fertilisers.

There was a rise of 8 points in the index of industrial production, from 121 to 129; but while the movement of the index for industry producing for the home market was definitely upwards, from 119 to 137, the index for the export trades fell from 126 to 115. Unemployment rose slightly compared with the preceding year, and the rise was especially conspicuous during the latter half of the year. Labour conditions were good, without conflicts of any importance.

Shipping and Fisheries.—Shipping had a year of considerably less activity than in 1937, idle tonnage rising from nil in January to 490,000 tons in October, and at the close of the year it was 395,000 tons. Gross freight receipts were estimated at about 625 million kroner against 800 million kroner in 1937. The total catch in the Antarctic amounted to 973,000 barrels of whale oil against 791,000 barrels in 1937, but prices were low and foreign competition keen. The fisheries proved fairly satisfactory as far as quantities landed are concerned, but on account of increasing difficulties in the various export markets, total exports were considerably smaller than in 1937, except for cured cod-fish.

Agriculture was hampered by inclement weather, especially during spring and early summer, but ample rains and warmer weather later on improved crop prospects. The crops of hay were somewhat above the average, while cereals were slightly below. In the forest industry the year brought a reduction in prices of about 40 per cent. compared with last year. Tourist traffic increased appreciably, and is calculated to have brought in a net income of about 80 million kroner.

Finland

THE peak of the trade cycle was passed in 1937. In 1938 economic life in Finland was marked by divergent tendencies. In some spheres the recession that set in on world markets in 1937 exerted its full effect; in others production and consumption were well sustained.

Public Finances.—The principal sources of revenue provided the Treasury with a larger yield than in the previous year, and in many cases even exceeded the Budget estimates. During the months January-November the current revenue of the State amounted to 3,859 million marks, against 3,578 millions in nine months of 1937. Expenditure also increased. The conversion of foreign loans and their replacement by internal loans continued. The total public debt was reduced in the course of the year by 201 million marks to 3,251 millions.

Prices.—During the first half of the year prices were falling. Later, however, the fall was arrested and the level of prices became steady, with some tendency to rise. In December the wholesale price index (1926 = 100) was 98, against 102 a year before, and the cost-of-living index (1935 = 100) stood at 109, the same as in December, 1937. Prices for exported goods fell more than the prices of imports.

Industry.—The recession affected exporting industries most: sales fell off and prices dropped severely for sawn timber, chemical pulp, paper and other goods. The index of the volume of production in these industries for the period January-September was 10 per cent. lower than in the same months of 1937, and the fall in the index of the value of production was over 27 per cent. During the third quarter of the year the gross value of production was 49 per cent.

lower than in the third quarter of 1937. The setback had not yet appreciably affected industries producing for the home market. For industry as a whole, however, the index of the volume of production for January-September was 176, against 180 in nine months of 1937, and the index of the value of production fell from 195 to 174.

Crops were generally satisfactory apart from rye, autumn wheat and potatoes. Building operations were lively, and employment was good. Towards the end of the year some falling off was evident, and the Government took special steps for combating possible unemployment.

Foreign Trade.—Compared with the record levels of 1937 foreign trade fell off. The value of imports was 8,612 million marks, a decrease of 7.5 per cent. The value of exports was 8,431 million marks, or 10.1 per cent. less than in 1937. Whereas the balance of trade had been active during the whole period from 1930 to 1937, there was a surplus of imports amounting to 181 million marks in 1938. The balance of payments, however, was on the credit side and (according to preliminary estimates) provided about 300-350 million marks for reducing foreign indebtedness.

The Money Market.—The money market was easy throughout the year. Deposits in the joint-stock banks increased by 725 million marks, against an increase of 1,432 millions in 1937, but the increase in credits was 604 millions, compared with an increase of 1,236 millions in the previous year. At the end of 1938 deposits in the joint stock banks reached a higher figure than ever before at 10,755 million marks. The Stock Exchange was generally dull and the level of share prices was low.

Latvia

SINCE the world crisis State control has played an increasingly important rôle in Latvian industry. According to the latest estimates, out of a total of 6,600 million lats invested in the Latvian economy, 2,000 millions may be attributed in one way or another to the State. Export monopolies for products such as meat and dairy produce have been set up; and the keystone of all this activity is the Latvian Kreditbank, whose capital is 40 million lats. Where private concerns have been liquidated by Government decision the Bank has in many cases taken over control; and occasionally, it has started new enterprises. In modern Latvia there is scarcely any branch of industrial activity which does not include some form of management by the State. Although no major economic changes occurred in 1938, and general conditions and purchasing power remained satisfactory, there was a movement towards cartelised control, especially in the timber industry. The State sugar refinery, owing to a poor sugar beet harvest, decreased its turnover. The beet harvest was 234,973 tons, against 284,384 tons in the previous year, and there was a lowering of the sugar yield from 18.5 per cent. to 16.8 per cent. Sugar production was 33,336 tons, against 45,174 tons in 1937, and this in turn affected the trade balance adversely. The Bank of Latvia and the Latvian Kreditbank lowered their discount rate by one-half per cent. This decision was also taken by the private banks, so that from January 1st the highest discount rate in Latvia was 6.5 per cent. Following a good harvest, the commercial position in 1938 was satisfactory. Butter exports rose from 19,219 tons in 1937 to 23,434 tons, and the number of pigs exported from 83,000 to 118,000; but, owing to diminished timber exports, foreign trade as a whole was less good than in 1937. Imports fell from a value of 231.3 million lats in 1937 to 227.4 millions; and exports fell from 261.1 million lats to 227.2 millions. Currency circulation rose from 142 to 162 millions, and gold and exchange reserves from 94 to 96 millions.

Lithuania

THE economic development of Lithuania was satisfactory in 1938; and the general position continued to improve. There was a clearly marked tendency for improvement to be spread over as wide an area as possible, and one important factor was the public works programme, which, with the help of State subsidies and propaganda, increased, for instance, the use of fire-proof materials. Brick production is thus up by 40 per cent. on the previous year. Good harvests increased peasant purchasing power; and the Government's wheat export policy also contributed towards this. Imports were mainly of finished goods and were valued at 223.6 million lits, against 212.6 millions in 1937. Exports were valued at 233.2 million lits, against 208 millions in 1937. Exports thus

increased by 12 per cent. and imports by 5 per cent., leaving an export surplus of 10 million lits, against an import surplus in 1937 of 4 millions. The German share of Lithuanian foreign trade has again increased: of imports from 21 per cent. to 23 per cent., and of exports from 16 per cent. to 26 per cent. Great Britain's share of imports rose from 28 per cent. to 31 per cent., but her share of exports fell from 47 per cent. to 40 per cent. Trade with Poland has not improved. Currency circulation rose from 143 to 170 million lits. The cover was 52 per cent., against 68 per cent. at the end of 1937. Demand in the money market was active and the private banks raised their loans from 467 to 488 million lits, while investments rose from 273 to 283 million lits. Exchange control was somewhat tightened. The rate of exchange remained throughout the year at 5.92 lits to the dollar. Prices kept firm. State revenue for the first ten months was 270 million lits and expenditure 289 millions; and the Budget for 1939 is balanced at 376 millions.

Estonia

As elsewhere the industrial depression in Estonia first became evident in the second half of 1938. In a number of cases the improvement of 1937 was even further strengthened, and this was noticeably so with agriculture, which enjoyed a good harvest and favourable price levels. The total value of agricultural production in 1938 is estimated at about 200 million crowns, against 192 millions in 1937. Beef production has increased by 3.4 per cent. and pig production by 1.4 per cent. For a number of agricultural products the Government fixed minimum prices which were high enough to guarantee a profit on the increased production. Industry did not fare uniformly. Home markets were not unfavourable, but in some branches of the export industry (wood, pulp, textiles) a depression was noticeable.

The total value of industrial production during the year was 113 million crowns against 110 millions in 1937. The State has been very active in the industrial field, and this year has established a cellulose plant, several brick kilns, and a peat production plant. Industrial wages increased through a shortage of labour. The cost of living changed little. Imports were valued at 107.2 million crowns against 111.1 millions in 1937, and exports at 103.9 million crowns against 106 millions. This recession is partly attributable to reduced prices and partly to fewer imports of raw materials and a decline in timber and other exports. The passive trade balance is, however, more than made up by receipts from the Estonian merchant shipping fleet. To that extent the exchange position was favourable during the year, and no difficulties over the provision of exchange for commercial purposes arose. Holdings by the Eesti Bank in gold and foreign exchange increased during the year by 0.4 million to 51.6 million crowns, while the note circulation increased by 2.6 millions to 51.7 million crowns. The increase in the note circulation was due to heightened commercial activity and partly to an improvement in wage levels. The banks did well and actually increased the amount of business passing: deposits rose from 108.4 million crowns to 123.4 millions and loans from 116.4 million crowns to 129.5 millions. The Government's financial position was normal; and the Budget for 1939-40 is balanced at 106 million crowns.

America United States

THE year 1938 opened in severe depression, with production over 30 per cent. below the level of mid-1937. This depression dragged on for the first six months; then business turned abruptly upwards at the mid-year; and, at the year end, about half the ground lost in the last half of 1937 had been regained. The share market was remarkably prompt in "dis-counting" the upturn, and between mid-June and mid-July reached the level at which the year closed.

Legislation.—The principal enactments of the second Session of the 75th Congress were the Wages and Hours Law, a modification of the Tax Act, and a Joint Resolution creating the Temporary National Emergency Committee. The Wages and Hours Law establishes a maximum working week of 44 hours, falling after two years to 40 hours, and a minimum wage of 25 cents an hour, rising gradually to 40 cents. The Tax Act virtually repealed the undistributed profits tax on corporations and amended the capital gains

tax on individuals. The Temporary National Emergency Council is to investigate monopoly and the concentration of economic power. In addition, Congress voted large increases in the Budget under the spending-lending programme, designed to stimulate recovery.

Treasury Finance.—At the end of 1938, gross public debt was \$39,427 millions, compared with \$37,279 millions at the end of 1937, an increase of \$2,148 millions. During April, the Treasury realised about \$1,200 millions from the release of the Inactive Gold Fund, plus \$200 millions from the monetisation of other gold. This operation was partially accomplished by redeeming maturing Treasury bills in the second quarter, and this type of Treasury paper was almost extinguished for a time. Four long-term Treasury issues were offered during the year—in March, a 10½ year bond at 2½ per cent. (refunding); in June another refunding issue of 20-25 year bonds at 2½ per cent.; in September, 12-14 year bonds at 2½ per cent.; and in December, 22-27 year bonds at 2½ per cent. and a 9-year issue at 2 per cent. In December, 1937, the Treasury had sold a 7-year issue at 2½ per cent. There were during the year three issues of the 5-year Treasury notes (tax-exempt), in June, September, and December, each carrying a 1½ per cent. rate; the issue of December, 1937, had gone to 1½ per cent. This indicates that during the year there was a decided decline in the interest rate on medium and long-term Government securities of the order of ½ per cent.

The Treasury Bills outstanding were greatly reduced by the release of the Inactive Fund, but were reinstated later in the year. The final issue of the year was subscribed at par, except for a fraction which went at a premium. The phenomenon of negative interest on the short-term public debt is not new, but this episode emphasised it.

Budget and Banking.—The following table shows the general movement of public finances:—

TREASURY OPERATIONS (\$000,000)				
Fiscal Year ended	Receipts	Expenditure	Deficit	
June 1936	4,116	8,686	4,550	
June 1937	5,294	8,442	3,149	
June 1938	6,242	7,826	1,384	
Dec. 1937 (half-year) ..	3,176	3,729	553	
Dec. 1938 ..	2,927	4,529	1,602	

Except for the reduction of one-eighth in required reserves in April (which increased excess reserves by about \$800 millions) the Reserve Banks took no active rôle during the year. By the transfer of \$1,400 millions of gold from the Treasury to the Reserve Banks in April, excess reserves were correspondingly increased. The abandonment of the Inactive Fund also directed new gold into the Reserve Banks, although at not exactly the same rate as imports occurred. At the year end excess reserves amounted to about \$3,070 millions. With the reflux of currency after December, excess reserves rose rapidly to new high ground.

The statements of the Reporting Member Banks showed contraction up to April, mostly as a result of falling loans; but, thereafter, deposits rose rapidly. Most of the increase in deposits was attributed to gold released or imported, but in the latter part of the year heavy buying of United States and fully-guaranteed securities contributed to the movement. As a result, demand deposits at the year end, at \$15,986 millions, were \$1,555 millions higher than at the end of 1937, and at a new high level—although total loans and discounts were only \$247 millions higher. Total reserves of the Reporting Member Banks were \$1,630 millions higher. Loans contracted slowly to about mid-year, and thereafter rose slightly. For the year as a whole, loans were down nearly \$1,000 millions and investments were up about \$1,200 millions.

Money and Investment.—To quote from last year's survey: "Except for Government paper there is no money market in New York." The call market is even smaller than a year ago, and its controlled rate never varied through 1937 or 1938—1 per cent. on call loans, 1½ per cent. on 3-month loans. Rates on bankers' acceptances were continuously ¾ per cent., but on commercial paper they weakened from 1 per cent. Both markets are no more than nominal. The 3-month Treasury Bills were virtually without interest through the year. The nearest thing to a money market in New York is in the Treasury note—the longest (5-year maturity) standing at about 1 per cent. through the year. With the 3-month Treasury Bill bearing no interest and with relatively small amounts outstanding, the excess reserves have come to occupy the functional position formerly held by the call market.

For the first five months of the year, the corporate new issue market was stagnant. In the last seven months it became

quite active. The demand was mostly institutional; the supply was largely re-unding bonds. On corporate issues of this type, the current yield offered at the year end was barely over 3 per cent.; on long municipal or State issues of high grade, it was 1½ per cent. At no time during the year was equity capital available in any considerable amount. During the first half of the year, there appears to have been a moderate outflow of foreign capital. In the last half, there was an enormous flight to the dollar, but apparently little of it sought prompt investment.

The share market rose in January and February, broke badly in March, steadied, and rose meteorically at the end of June and in early July. Thereafter, except for a brief weakness in September, it showed no decided trend to the year end.

New capital issues reported by the *Commercial and Financial Chronicle* were: municipal and State bonds, \$962 millions; corporate bonds, \$790 millions; corporate stocks, \$64 millions, of which only \$17 millions were common stock. Corporate issues described as refunding, amounted to above \$1,300 millions. The increase in the public debt publicly offered was above \$1,000 millions. Combining these figures, about \$2,000 millions of new capital was made available to the State and its subdivisions, compared with about \$850 millions made available to corporate enterprise.

Prices, Production and Agriculture.—The index of the Bureau of Labour Statistics sagged during the year, falling from 81 in January to about 77 in December. The net decline in the index from September, 1937 (when it was 87) to the end of 1938, was about 12 per cent. primary commodity prices in general sagged during the first half of the year, stiffened on the mid-summer upturn, and thereafter were inert or heavy.

The index of industrial production was 80 in January, 76 in May, and 103 in November—about the level of the second quarter of 1936. Residential building rose almost month by month from January (26) to October (57)—a higher figure than any reached in years. Other building rose from 56 in March to 110 in October, partly or largely under the influence of the spending programme. As is commonly the case, the factory employment index did not fall so low as the index of production, and lagged on the upswing.

Agricultural income in 1938 was estimated at 15 per cent. below the level of 1937. Weather conditions were favourable, yields good, but prices were lower than in 1937. These low prices affected principally cereals and cotton; but livestock, dairy products and miscellaneous items enjoyed fairly good prices. Farm income was supplemented by increased bounties of various kinds. On the whole, agriculture was less affected than industry by the depression of 1937-38, but to date has shown less evidence of resiliency. One of the most acute problems is that of the accumulated cotton carry-over. Some impression of the magnitude of the accumulation is obtained by describing it as of the order of one year's production or two years' domestic consumption.

Foreign Trade.—Generally speaking, imports dropped in the first half of the year and rose in the second half, following the course of the index of production, except that the November imports (\$176 millions) were barely above those of January (\$171 millions), while the production index had risen 25 per cent. Exports fell from \$289 millions in January to \$228 millions in July and rose slightly thereafter, though this rise was partially of a seasonal character. The net result was a continuous and large export surplus, which began (with the collapse) in September, 1937, and has continued to the present. Altogether, the cycle is far more clearly reflected in our imports than in our exports.

FOREIGN TRADE OF THE UNITED STATES
(\$000,000)

	Merchandise Exports	Merchandise Imports	Balance
1933	1,675	1,450	+ 225
1934	2,133	1,655	+ 478
1935	2,283	2,047	+ 235
1936	2,456	2,423	+ 33
1937	3,349	3,084	+ 265
1938*	2,825	1,790	+ 1,037

* 11 months only.

Gold imports were \$1,132 millions in 1934; \$1,739 millions in 1935; \$1,117 millions in 1936; and \$1,586 millions in 1937. In 1938 they were \$1,979 millions, of which \$1,100 millions came in September and October. The excess of merchandise exports is the largest for any year since 1921, and the gold imports the largest ever. In addition, the net silver imports in 1938 were \$271 millions, bringing total imports of the precious metals in 1938 to over \$2,200 millions, considerably exceeding our total merchandise imports.

Argentina

IN contrast with the remarkable economic prosperity of 1937, the past year has been very disappointing. In the 1937-38 agricultural season frost in late spring did great harm to wheat and linseed, and prolonged drought in summer destroyed fully half of the maize crop. Furthermore, 1938 saw a big fall in the price of pastoral and agricultural products. The volume of Argentine exports in 1938 was only 50 per cent. of the corresponding figure for 1937. Owing, however, to higher prices at the beginning of the year, the fall in their value is less marked, but it amounted, nevertheless, to 39.4 per cent. In the first half of the year imports were rising in response to orders booked during the prosperity of the previous period, while exports were falling fast. The balance of payments moved against Argentina, and in the first eleven months of the year there was an import surplus of 54,835,864 pesos compared with an export surplus of 751,795,229 pesos in the same period of 1937. During the year there was a substantial decline in the value of Argentine currency in the free market, despite drastic reduction of official expenditure, especially on public works. A big Budget deficit appears inevitable, and, owing to the menace of unemployment, immigration has been further restricted. Internal trade has suffered extraordinarily little, because the people who made big profits in 1937 were able more easily to bear the losses of 1938.

Agriculture.—Up to the end of November the weather was very favourable for the 1938-39 crops. As a result of regular and adequate rains in the winter and spring (for the seasons are the reverse of English seasons) there was a bumper wheat crop, estimated at 8,600,000 tons, notwithstanding a very late frost which occurred in December. The linseed did not fare so well, chiefly owing to parasites, and production is estimated at only 1,620,000 tons, which is only little more than last year. The exportable surplus of wheat will be about twice as large as in 1938, but optimism is tempered by the fact that prices are to-day only half as high as they were a year ago. In November, owing to the unremunerative price of wheat, the Government re-established basic prices—7 pesos per 100 kilos for wheat and 13 pesos for linseed. The minimum price for wheat, while benefiting the farmers, is expected to have an adverse effect on the State finances. December, one of the critical months for maize, was extremely dry, and the effects of drought were accentuated by heat and scorching winds, which reached their harshest in the first four days of January. Thus, maize production is not expected to be much higher than last year. The drenching rains which came in the middle of January were too late to save the maize in many parts of the country. The outlook for the Argentine cotton crop is very encouraging as a result of recent rains; the area sown with cotton this season is 412,000 hectares, compared with 424,000 hectares last year.

Foreign Trade.—Imports and exports in the first eleven months of 1937 and 1938 were as follows:—

	(In pesos)		
	Imports	Exports	Surplus
11 months:			
1937	1,413,946,686	2,165,741,915	(Export) 751,795,229
1938	1,325,990,308	1,271,154,444	(Import) 54,835,864

The great fall in exports in 1938 was almost entirely due to smaller shipments of cereals and linseed. The decline in the price of pastoral products was a minor factor. Among imports there was a rise in the value of machinery and vehicles and to a lesser extent in fuel. All other imports fell in value except tobacco and beverages, the fall being most marked in the case of iron and textiles. The position of Great Britain as a supplier of Argentina deteriorated slightly in 1938, chief progress being made by the United States of America. Towards the end of the year, rigid control of all imports was instituted, with a view to reducing the adverse balance of payments; and one immediate effect of the new regulations is expected to be to benefit Argentina's best customers, notably Great Britain, as well as domestic industry. An anti-dumping Bill, directed chiefly against the import of cheap goods from Japan and Italy, was presented to Congress during the year, but has not yet been considered.

Railways.—The Bills for the purchase by the State of the Cordoba Central Railway, with its subsidiary the steam tramway to Rafaela and the Argentine Transandine Railway, both British-owned, passed Congress, and have now become law, both lines being incorporated in the Argentine State Railway system. Owing to the return of recession, the railways failed to obtain authority to increase their charges. A concession, however, was granted in the form of a special rate of exchange for remittances of 16 pesos to the £ instead of 17 pesos, which is the present official rate, but the amount

transferred at this rate must not exceed the total transferred in 1938. Railway receipts fell considerably in 1938 owing to small crops.

Exchange.—The official export rate of exchange remained throughout the year at 15 pesos to the £. The official import rate was changed on November 7 from 16 pesos to the £ to 17 pesos, owing to the adverse trend of foreign trade. Early in 1938 the Central Bank halved the existing 20 per cent. surcharge on goods imported without prior permits, and at the same time allowed the free market rate to find its own level. During the year the rate fell as low as 20.66 pesos to the £. Towards the end of the year the Central Bank intervened from time to time to support the peso.

Brazil

THE political situation has remained quiet. The service on foreign loans which was suspended in November 1937, has not been resumed, but in the 1938-39 Budget, as in the 1938 Budget, 240,000 contos have been allocated for service, the sum being deposited in a special account in the Bank of Brazil. The 1939 Budget shows revenue of 4,070,969 contos and expenditure of 4,065,499.

Trade.—There has been a slight rise in the value of both imports and exports. The volume of imports fell.

Foreign Trade.—The figures for the first nine months of 1937 and 1938 are given below:—

	1937		1938	
	1,000 Tons	1,000 Contos	1,000 Tons	1,000 Contos
Imports	3,883	3,736	3,588	3,897
Exports	2,382	3,852	2,892	3,860
Surplus	...	...	...	...

The export items which showed the largest increases were:—

	1937	1938
	1,000 Tons	1,000 Contos
Rice	25	16
Maize	2	1
Cacao	67	164
Coffee (1,000 bags)	8,672	1,578
Cotton	184	774

Business Activity.—Although gold mines are still working to capacity, no new mines of importance have been opened up, and the output of iron and manganese has been handicapped by lack of equipment and rolling stock. The navy has purchased three submarines from Italy and ordered a number of destroyers from England, and in addition several cargo steamers have been bought from Holland and both passenger and cargo ships from Italy. In general, despite the handicap of falling commodity prices, the general trade and business activity of Brazil resisted the world-wide depression much more than in most countries.

Anglo-Brazilian Trade.—Ten years ago British exports to Brazil were valued at £18 millions a year. They have rapidly fallen away, as the following table of Brazilian imports by countries during the first half of 1929, 1932 and 1938 shows:—

In £1,000 :	1929	1932	1938
United States	14,483	5,355	7,690
Great Britain	9,097	3,702	3,002
Germany	5,362	1,599	7,554
Or in per cent. of Brazil's total imports:—			
United States	32.25	29.29	24.55
Great Britain	20.28	20.09	9.58
Germany	11.94	8.07	24.12

Since 1932, the advance of Germany's share of Brazilian imports is remarkable. American sales also increased by about 40 per cent. British sales actually fell 13 per cent. During this period, total Brazilian imports increased by over £13 millions.

That the large increase in German sales in Brazil is due to a great extent to the compensation mark system is true, but the same excuse cannot be given for the rise in American sales. Indeed, in many cases American prices are equal to or higher than British. A good deal of lost ground could clearly be won back by British exporters with greater initiative, more understanding of the Brazilian market, better propaganda, more expeditious methods and easier credit facilities.

Chile

THE economic results of the year have not been so favourable for Chile as those of 1937. Since the chief wealth of the country lies in its mining and agricultural production, the crisis in world markets had a direct effect on the country's prosperity. Yet there was at no time any real internal crisis. As it was, the Chilean commercial banks and the National Savings Bank expanded their credit operations by 7 per cent. during the year.

Foreign Trade.—The world crisis exerted a noticeable effect on foreign trade. Exports fell and imports rose. If the first eleven months of 1937 and of 1938 are compared, the value of exports fell from 880 million gold pesos of sixpence to 608 millions (or 31 per cent.), while the value of imports rose from 386 millions to 453 millions (or 17 per cent.). During the closing months of the year the balance of payments took a decidedly unfavourable turn. A marked scarcity in available foreign exchange caused a noticeable delay in dealing with applications for imports; and, at the same time, prices for free exchange showed a tendency to rise sharply. Although the Control Commission maintained the price of export dollars at the fixed rate of 25 pesos, by the end of the year the dollar in the extra-official market was quoted at more than 31 pesos, while the official price of the export pound sterling was 118 compared with 145 pesos in the free market. In some circles, this increase was attributed to the flight of liquid capital resulting from the unlooked-for outcome of the October Presidential elections, which gave victory to the Popular Front candidate, Señor Aguirre Gerda; but the chief cause was the unfavourable trend of trade.

Mining and Industry.—The following data of the most important items in Chile's economic activities relate to the first eleven months of 1938 compared with the corresponding months of 1937. While no figures are made public of the production of nitrate and iodine, this would seem to have somewhat decreased. On the other hand, the production of copper bars increased considerably from 241,520 to 308,160 metric tons, or 27 per cent. Coal output was slightly more than 1,800,000 tons, being thus maintained at the same level as the previous year. The output of gold was 8,230 kilos compared with almost 7,540 in 1937. The increase in manufacturing production (in fourteen lines) was relatively small, amounting (according to official indices) to only 3 per cent. In effect, manufacturing has been maintained at a stationary level for the last two years. This is especially true of textile production: only the manufacture of cotton cloth, which rose 27 per cent., showed any important increase in 1938. Building construction in the principal communes, which reached its highest figure in 1937, fell 10 per cent. in value and 6 per cent. in area during 1938. The volume of freight transported by rail showed an increase of 6 per cent.

Prices.—The reduction of world prices affected internal prices only moderately. The general index of wholesale prices showed a fall of only 5 per cent. The cost of living index, on the other hand, continued to increase and was, on the average, 5 per cent. greater during 1938 than in 1937. In consequence, the first measures taken by the new Government were directed towards the reduction of prices of principal food products, such as bread, meat and milk, which have really been relatively high in comparison to the low purchasing power of the great mass of the population.

Uruguay

POLITICAL conditions continue stable under the new President, General Baldomir. The fiscal accounts show a surplus; and the service of the entire foreign debt, including sterling and franc loans, is in process of regularisation. Due to low shipments and prices of wool, the supply of export exchange has been restricted, and the shortage was emphasised by the payment in produce for the machinery, etc., acquired from Germany for the Rio Negro hydro-electricity scheme. The control of exchange and of exports and imports is now centralised, import exchange quotas being allocated monthly to the various supplying countries, with Great Britain and Germany in the lead. With a view to reducing imports to within the Republic's purchasing capacity, the "controlled" importers' rate was raised at the end of 1938 from 8.58 to 9.50 pesos to the £ sterling, the increased exchange profits resulting to be included in a comprehensive four-year programme of public works which will cost in all nearly 80 million pesos. The outlook for 1939 is somewhat uncertain, being dependent largely upon the sale of the 1938-39 wool clip, the quantity and quality of which are reported to be up to standard.

Colombia

DR EDUARDO SANTOS assumed the Presidency of Colombia in August last, and his Government enjoys general confidence. Fiscal expenditure has been kept well within income, while the Government has set up an Advisory Council to assist the Finance Minister in negotiations with foreign creditors. At the end of 1937 the outlook was obscure by reason of Brazil's new policy of open competition in world markets for coffee, which is Colombia's chief product. Actually, Colombia adjusted herself to the new situation, and a noteworthy general recovery was recorded last year, due largely to the high price of Colombian coffee in New York, which more than made up for the losses suffered at the end of 1937. Total exports of coffee in 1938 were 4,263,049 bags of 60 kilos, representing an increase of 203,397 bags over 1937. Other agricultural products and cattle have enjoyed good markets.

The general recovery has been assisted by the heavy inflow of capital from abroad, chiefly on behalf of oil interests, and there has been a marked increase in the output of both petroleum and gold. The authorities have been able partly to relax the measures for controlling imports and foreign exchange operations introduced at the end of 1937, while allocations of exchange permits in payment for imports are now made without delay. There have been rapid developments in road and air transport, as well as in construction and manufacturing equipment generally, which, coupled with the favourable coffee prospects, afford a promising outlook for the future. The United States leads in the Colombian export and import markets, followed by Germany, whilst imports of British goods hold third place. At the end of 1938 it was announced that the existing Anglo-Colombian Trade Agreement had been extended indefinitely, but that, after September 30, 1939, either party might give three months' notice of cancellation.

Ecuador

A RETURN to constitutional government was effected in August, 1938; and subsequently Señor Aurelio Mosquera Narvaez was elected President. Following the decontrol of the exchanges in August, 1937, there was a short wave of prosperity, but, due mainly to excessive imports, there was a serious decline in the Central Bank's reserves, which led to the establishment of import controls and a monetary policy of deflation. Consequently, for the greater part of 1938 imports were reduced to minimum requirements, while, with the rediscount rate raised from 4 to 7 per cent., there was a contraction in currency circulation and bank credit, which enabled the Central Bank to maintain the rate of exchange at around 14.40 sucres per United States dollar. At the end of 1938 the Commission to authorise permits was suppressed, and it was announced that the allocation of import quotas by nations would be cancelled and that individual quotas would be granted to merchants in proportion to their average imports for the past three years. The United States secures the bulk of Ecuadorian trade, with Germany a strong competitor through the "Aski" mark system. On the whole, business in 1938 was generally satisfactory, and further expansion is anticipated in 1939; it is expected that the rigid control will be gradually relaxed. Total cocoa output in 1938 was 366,998 quintals, against 448,948 quintals in 1937. Cocoa prices at the end of the year were firm, with only small lots coming from producing centres, and these being eagerly competed for by exporters. The coffee market was dull, but the cotton crop was abundant and sufficient to satisfy local requirements. The Central Bank assisted in financing the cotton crop until the factories were in a position to absorb it.

Peru

THE more prosperous conditions experienced in Peru during recent years suffered a check last year owing to the failure of the cotton crop and the fall in commodity prices, although the repercussions were not so severe as might have been expected, and the foreign exchange market remains uncontrolled. The Budget should show another surplus for 1938, and, although some decline in revenue may be anticipated in 1939, the general outlook may be described as satisfactory. A scheme has been put forward for the settlement of the Guano Loan, which gives rise to hopes that proposals may be forthcoming in respect of the foreign debt service as a whole. The Government has actively pursued its programme of public works, particularly road building, ports and irrigation. Large sums have been expended on these projects and on the re-

building of the Presidential Palace and Courts of Justice, all of which have tended to assist local trade and keep down unemployment. There has also been great activity in private building, and there has been something in the nature of a building boom in Lima.

Largely as a result of the failure of the 1938 cotton crop, as well as of heavy imports, the export surplus showed a marked fall in 1938. The total value of imports during the first ten months was 213.4 million soles, against 188 millions and 166.4 millions, respectively, in the corresponding periods of 1937 and 1936. Exports totalled 272.8 million soles, compared with 308 millions in 1937 and 281.4 millions in 1936. Thus the export surplus at the end of October, 1938, was 59.4 million soles, against 120 millions and 115 millions, respectively, at the same date in 1937 and 1936. Imports have come chiefly from the United States and Germany, with Great Britain a poor third. German imports are assisted by the "Aski" mark system as well as by improvements in maritime and air transport connections. Large contracts also have gone to Germany, including the important hydro-electric plant which supplies light and power to Lima and the Rimac Valley. Prospects for the 1939 cotton crop are satisfactory, and, should prices prove remunerative, the country's prosperity should resume its upward trend.

Bolivia

A GENERAL ELECTION was held in Bolivia in March, and in May the National Assembly elected Lieutenant-Colonel German Busch as Constitutional President of the Republic. In July the peace treaty with Paraguay was signed in Buenos Aires, and the outlook for trade then became more settled. At the end of September the Bolivian Government removed the restrictions upon imports of luxuries that had been in force for some time, thus enabling all classes of goods to be purchased abroad, although, in order to control prices, special permits became necessary to import certain foodstuffs and other articles of prime necessity. The relaxation of import restrictions, however, was accompanied by a general raising of the Customs tariff. A single official rate of exchange of 141.40 bolivianos to the £ became operative in June, and has since remained unchanged, but the Government continues to acquire a percentage of export bills arising from shipments of tin at a special rate of 82 bolivianos to the £. Economic conditions in Bolivia depend very largely upon tin, the price of which fell gradually during the first five months of the year to under £160 per ton. Since the beginning of October, however, the price has been above £200 per ton, and, in consequence, the supply of foreign exchange in Bolivia should become more plentiful. Meanwhile, 1938 closed with exchange cover scarce and difficult to obtain; it was understood that only one-fifth of the amounts applied for were being authorised, allocation depending on the class of goods to be imported.

Paraguay

THE outstanding event in Paraguay during 1938 was the signing of the peace treaty with Bolivia after the protracted Chaco dispute, thus paving the way for a return to fiscal stability and normal social and political conditions. Congressional elections took place in September, and a new Cabinet was formed. With the elimination of the necessity to maintain large armed forces, national expenditure is being considerably reduced. Arrangements were made in February for the renewal of remittances to London for the sterling debt service, although they were interrupted for a time owing to the exchange shortage. Unofficial control of exchange was established in July by the Banco de la República in order that their sales of exchange might be restricted to cover the purchase of primary necessities. The German "compensation" mark is quoted at a large discount on the Reichsmark, and imports from Germany are thereby stimulated. A decree issued in June imposed an internal consumption tax which in effect has meant a small increase in import duties. The continued abnormally low level of the River Paraguay—the main artery of commerce—gave cause for anxiety due to the cost of transshipment and the dislocation of services. The cotton harvest was disappointing, which had an adverse effect upon trade. At the end of 1938, however, rain fell over the greater part of the country, affording brighter prospects for transport, cattle, cotton, timber and tobacco. The outlook for the coming cotton crop is good, and the output is expected to exceed that of last season.

Venezuela

THE political situation is still normal and the state of the national finances is satisfactory. Trade was restricted last year owing to merchants being over-stocked with most commodities; and there is little prospect of this position being liquidated for some time, as the coming coffee crop is expected to be only one-third of the normal yield, with the result that purchasing power in the interior will be reduced. Preference in foreign exchange was given to Government requirements, which decreased the amount available for commercial needs, but the position eased at the end of 1938, when the exchange market returned to normal. Heavy floods at the end of the year seriously interrupted communications, and caused much damage to crops, so that the agricultural situation reached a grave point. The principal event of the year, which is expected to improve the general situation, is the adoption of the comprehensive Three-Year Economic Plan, covering public works, social schemes, etc., work on which has been started. A decree issued in December provided for the exploration of a large section of Venezuelan Guiana, where extensive tracts of land, at present almost unexplored, are believed to be suitable for agricultural and mineral exploitation. Commercial policy is now based upon a system of reciprocity, and several arrangements with foreign countries have been made on this basis. Imports are now authorised according to global quotas for various classes of goods or according to the individual sources of imports.

Mexico

CONDITIONS in Mexico during 1938 were overshadowed by the decision of the Mexican Government in March to expropriate the oilfields worked by foreign companies. Diplomatic relations with Great Britain were subsequently broken off by Mexico on an issue not directly concerned with the expropriation decree, and relations with the United States were severely strained. The economic effect of this further step to alienate foreign capital cannot yet be fully judged, but figures published recently by the National Bank of Mexico show that the production of petroleum for export tended to decline last year. Foreign trade statistics from the same source also show a fall in the value of total exports in the months immediately following the expropriation of the oilfields, although for the first eight months of the year the figure was 594.8 million pesos against 584.1 million pesos in January-August, 1937. Imports in the eight months were valued at 334.9 million pesos against 406.3 millions in the same months of 1937, so that the export surplus was actually greater at the end of last August than a year before; it amounted to 259.9 million pesos against 177.8 millions.

Mexico is the world's largest producer of silver, which it sells almost exclusively to the United States, and much depends upon the silver policy of the United States Treasury. During the first nine months of last year the exportable production of gold, silver, lead and zinc showed an increase over the previous year, but later statistics may reveal the effect of the 12 per cent. export tax imposed in August last which, it was feared, would have severe repercussions on the country's valuable mining industry.

The currency has fallen from its former pegged level of 3.60 pesos per United States dollar to about 5 pesos per dollar, which increases the cost of importing supplies from abroad but cheapens the price of Mexican products in foreign markets. Recent developments, however, point to an extension of trade with other countries on a "compensation" basis, and closer economic relations between Mexico and Germany appear to be likely.

Other Countries

Turkey

OVER 1938 has hung the shadow of Atatürk's illness and death. It will long remain in Turkish memory as a fateful year. But economically there was neither crisis nor boom; and even the war scare was probably less acute in Turkey than elsewhere.

Foreign Trade.—Two phenomena have been outstanding: the appearance, for the first time since 1929, of an import surplus in trade, and the marked increase in the German share in Turkey's trade. At the end of November, 1937, Turkey could boast of an export surplus of £T15,882,108. At the end of November, 1938, the position was

reversed, and there was an import surplus of £T10,965,000. It is, however, possible that figures for the whole of 1938 will show some improvement. In any case, the adverse surplus does not reflect any serious deterioration of Turkish foreign trade; the import surplus was brought about by a spectacular rise in imports, which leapt from £T101,276,317 in the first eleven months of 1937 to £T137,557,000 in the corresponding months of 1938. At the same time, exports also rose from £T117,158,425 to £T126,592,000, though they failed to keep pace with imports. The increase in exports was particularly marked in the case of raisins and sultanas, hazelnuts, figs, cotton and barley, while sales of mohair, wheat, wool and hides were smaller than in 1937.

On December 31, 1938, the Turkish clearing owed to foreign countries a total of about £T63,000,000, of which the German share was about £T27,000,000 and the British about £T11,000,000. Although there has been a considerable effort to reduce Turkey's trade dependence upon Germany, the Reich's share in Turkey's trade rose sharply in 1938 from 45 per cent. in the first eleven months of 1937 to 51 per cent. in the corresponding months of 1938. The recently ratified German loan of Rm. 150 millions is expected to lead to a still greater advance. The British share of Turkey's trade in the same period advanced from 8 to over 9 per cent. While Turkish exports to the United Kingdom fell, imports from the United Kingdom rose, causing an increased Turkish indebtedness in the Turco-British clearing.

Agriculture and Industry.—The area of cultivated land at the end of the year was somewhat greater than in the agricultural year 1937-38, when it was 4,500,000 hectares compared with only 3,500,000 hectares in 1936-37. Total production was 103,000,000 cwts, against 84,000,000 in 1937.

State-controlled industrialisation proceeded according to plan. Among new factories, the Karabük steel mills are by far the most important, and they are expected to begin operations in April next. Private industry profited by a reduction in duties on raw materials and by a revision of the production tax, but in general private enterprise did not make the headway made by the public undertakings.

The Institute of Mining Research has continued to search for fresh ore deposits. Coal output is still handicapped by the Turkish peasant's reluctance to work in mines, and growing orders from nearby markets often cannot be met.

Budget.—State revenue at the end of the financial year 1937-38 amounted to £T323,602,000 compared with £T276,020,000 in 1936-37 and £T235,266,000 in 1935-36. There was some reduction in taxation. Turkey's re-armament programme is going ahead at full speed.

Japan

PRODUCTION, trade and finance have all been affected by the demands of war, and the national economy has been put under wholesale State regimentation. Production was intensified in the heavy industries, while light industries curtailed operations drastically owing to raw material difficulties. Export trade consequently suffered, but there was a small export surplus, the contraction in imports being more marked than in exports. Commodity prices were at a higher level than in 1937, but the upward trend was, under regulation, not so rapid as in the preceding year. The Government continued to finance the Budget deficit by inflationary borrowing, but no serious currency expansion occurred, and the money market remained quiet. The rice harvest was not up to expectations, and the late cocoon crop was rather unsatisfactory, but the farm income was more than compensated for by higher agricultural prices.

Public Finance.—The Budget for 1938-39 estimated expenditure at 3,514.5 million yen against estimated revenue of 2,395.4 million yen, revealing an appallingly large deficit of 1,119 million yen. Nearly 10 per cent. of this gap was filled by fresh taxation and the rest by a new loan. Expenditure on the China campaign, which was separately budgeted for, amounted to 4,850 million yen in 1938, against 2,548 million yen in 1937. Compared with the preceding year total national expenditure in 1938 increased by 2,834.8 million yen to 8,364.5 million yen. The national accounts for the first six months of the fiscal year ended September 30th show revenue amounting to 866 million yen and expenditure to 949.5 million yen, against 591 million yen and 1,027.4 million yen, respectively, in the corresponding period of 1937. The National Debt rose by 3,629 million yen to 15,522 million yen during the first eleven months of 1938. The Budget estimates (excluding war estimates) for the next fiscal year show expenditure at 3,694.7 million yen, against revenue of 2,801 million yen. The deficit of 893.6 million yen is again

to be covered by borrowing. The following table gives Budget estimates for the three fiscal years:—

	1937-38	1938-39†	1939-40†
	(In million yen)		
Expenditure	3,488.9	3,514.5	3,694.7
Revenue	2,172.9	2,395.4	2,801.0
Deficit	1,316.0	1,119.1	893.7

† Estimates of expenditure on the China campaign excluded.

Money and Investment.—The cheap money policy was well maintained, and conditions in the money market were on the whole easier in 1938 than in the preceding year. The note circulation continued to expand, particularly rapidly in the closing months of the year, and in December was some 300 million yen above the level at the end of 1937. Despite the long-continuing drain of foreign exchange resources, the yen exchange was still firmly pegged at 14d. in terms of British currency, and the movement of the yen-dollar exchange ranged between 29½c. and 27c. The new capital market was decidedly more active in 1938 than in 1937, though Government borrowing again took first place among new issues. New capital raised during the first eleven months of the year amounted to 4,676.4 million yen, against 1,555.4 million yen and 1,403 million yen, respectively, in the corresponding periods of 1937 and 1936.

Production, Profits and Prices.—Production was further intensified in the heavy industries, while output in the light industries reached the lowest level of recent years.

	Jan.-Nov., 1936	Jan.-Nov., 1937	Jan.-Nov., 1938
	(In thousands of square yards)		
Cotton yarn	Bales 3,280,812	Bales 3,691,437	Bales 2,640,116
Cotton cloth	Lbs. 1,644,662	Lbs. 1,688,458	Lbs. 1,489,974
Rayon yarn	Lbs. 236,320,200	Lbs. 301,590,200	Lbs. 196,790,000

Figures of the output of iron, coal and steel are, for strategic reasons, not available.

According to Mitsui Bomei Kaisha's half-yearly analysis of joint-stock industrial undertakings, the net earnings of

1,000 companies in the first half of 1938 amounted to 602,236,000 yen, compared with 526,559,000 yen and 565,237,000 yen, respectively, in the first and second halves of 1937. The Bank of Japan's index number of wholesale prices (July, 1914 = 100) was 201.8 in November, compared with 188.8 in November, 1937, and 161.8 in November, 1936.

Foreign Trade.—In the first eleven months of the year the total value of imports was 2,380.4 million yen, and of exports 2,394.3 million yen. Compared with the corresponding period of 1937, imports and exports fell in value by 1,145 million yen and 508.5 million yen. There was thus an export surplus of 13.9 million yen, against the 1937 import surplus of 622.5 million yen. The following table gives figures for the first eleven months of each of the past three years:—

	Imports Yen	Exports Yen (000's omitted)	Import (-) or Export (+) Surplus Yen
1936	2,479,165	2,396,163	- 83,002
1937	3,525,345	2,902,848	- 622,496
1938	2,380,403	2,394,323	+ 13,919

Both imports and exports were considerably lower in value each month last year, with the exception of November, but percentage decreases were higher in imports than in exports.

Compared with 1937, the largest decline in imports was in raw materials. Raw wool imports fell by 69 per cent.; wood pulp imports by 62 per cent.; raw cotton imports by 53 per cent., and crude rubber imports by 52 per cent. The decline in exports was most conspicuous in textiles; exports of cotton piece-goods fell by 29.9 per cent. and exports of raw silk by 13.9 per cent.

There was a considerable change in the distribution of trade. While trade with Manchukuo and China expanded markedly, trade with British India, the Union of South Africa, Australia and New Zealand, the Dutch East Indies and the United States of America contracted sharply. It is worthy of note that, in face of the general decline, Japanese purchases from Germany and Italy show little change, and even a slight increase in the case of Italy.

LLOYDS BANK LIMITED

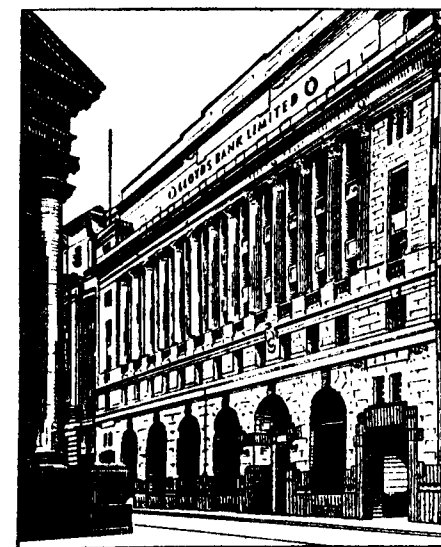
Chairman:
The Rt. Hon. Lord Wardington

Deputy Chairman:
Sir Austin E. Harris, K.B.E.

Vice-Chairman:
Sir Francis A. Beane

Chief General Managers:
R. A. Wilson
Sydney Parkes

Joint General Managers:
W. G. Johns, D.S.O., S. P. Cherrington
L. A. Stanley, G. D. Gold



For every
class of
Banking
Business

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.

Head Office: 71 LOMBARD STREET, LONDON, E.C. 3

China

CHINA, with head bloody but unbowed, may well thank the gods for her unconquerable soul. Her shipping has been driven from the seas and the main inland waterways; her invaders have penetrated to the heart of the country; and life and property have been subjected to merciless destruction. Yet China survives as a nation and, while the Government depends for its supplies on newly developed communications with the outside world, traders still manage to transport their cotton and eggs to Shanghai and their silk, tea and other produce to Hongkong. Nevertheless, eighteen months of warfare have played havoc with the nation's economy; and the past year has witnessed Japan's unchecked efforts to monopolise the trade of the country at the expense of existing interests. As the year ends, all the main treaty ports, with the exception of Swatow and Foochow, are in the hands of the Japanese, while the Yangtze and the Pearl Rivers are closed to all non-Japanese merchant vessels. Foreign trade, apart from military supplies, is rapidly contracting and, although the Japanese are pinned to restricted areas by guerilla bands, the Chinese Government's writ runs only in a few provinces in the West and South-West.

Political.—For the first nine months of the year the capital of the country was Hankow. With the approach of Japanese forces the Government retired on Chungking, which is now the headquarters of Marshal Chiang Kai-Shek. Many officials subsequently moved to Kunming (Yunnan), which is connected by rail with the French port of Haiphong. Chiang Kai-Shek's administration commands the loyalty of the Chinese people, which has remained undisturbed by the defection of Mr Wang Ching Wei in the last weeks of the year. The belated financial aid being given to the Chinese Government by Britain and America is no doubt appreciated but it is hardly likely to break the present military deadlock.

Customs Revenue.—The total Customs revenue for the year amounted to \$254,570,000, compared with \$342,900,000 in 1937 and \$324,583,000 in 1936. The collections at the principal Customs stations in 1938 compared with 1937 were as follows:—

(In million \$ Chinese Nat. Currency)

	1937	1938	Increase (+) or decrease (—)
Shanghai	142.1	84.9	— 57.2
Tientsin	33.4	56.4	+ 23.0
Canton	12.8	19.5	+ 6.7
Kowloon	16.4	13.8	— 2.6
Hankow	25.8	8.2	— 17.6
Tsingtao	24.2	8.8	— 15.4

Revenue collected at ports under Japanese control has been deposited with the Yokohama Specie Bank, but, with the exception of one payment, none has been released to the Customs Administration. The service of foreign loans secured on the Customs revenue has been duly met at a cost of \$77.9 millions, one million more than last year. The American wheat and flour loan of 1931 and the cotton and wheat loan of 1933 have also been met in full, but in these cases payment was made from the flood relief surtax. Internal loan service has cost \$129 millions, and the funds required have been apparently advanced to the Customs by the Chinese Government.

Foreign Trade.—Statistics for the whole of 1938 are not yet available, but figures for the first eleven months are as follows:—

	January to November, 1937	1938
(In million \$ C.N.C.)		
Imports	900.7	814.1
Exports	783.0	703.0
Surplus of Imports	117.7	111.1

Exports of treasure amounted to \$80 millions, compared with \$334½ millions in the first eleven months of 1937.

The decline of approximately 10 per cent. in both imports and exports does not take into account the severe fall in the value of the Chinese dollar after the first half of the year. In ports such as Tientsin, Tsingtao and Shanghai a considerable quantity of merchandise has been imported from Japan without passing through the Customs. In addition, the Chinese Government is responsible for certain shipments of tea and metals (wolfram, tin and antimony) which do not appear in

the Customs returns. These shipments formed part of a barter arrangement with Russia in exchange for armaments, principally aeroplanes.

Currency.—During the early part of the year the Chinese dollar exchange was maintained at about 1s. 2d., but in March the Chinese Government introduced regulations requiring formal applications for allotment of foreign exchange. This led to the development of an unofficial exchange market and, despite the support given to official rates by some of the foreign banks, the business rate declined sharply and sank to 8d. in June. Since then there have been slight fluctuations and, at the end of the year, the rate was 8½d. The cross rate between Hongkong and Shanghai moved up from 110 at the beginning of the year to 180 in the autumn, but later dropped to around 170. In areas under Japanese control efforts have been made to force upon the people Federal Reserve Bank notes which are nominally linked to the yen, although unsecured. These efforts to obtain redeemable Chinese notes in exchange for notes of doubtful value have not been altogether successful.

Communications.—The main navigable waterways and most of the railways are now in the hands of the Japanese. With the fall of Canton and Hankow, the Chinese Government's lines of communication with the sea have been pushed back. For the greater part of the year Government supplies as well as ordinary merchandise were being transported from Hongkong over the Kowloon-Canton and Canton-Hankow railways, supplemented by road transport between Canton and Hankow during the periods when the railways were interrupted. Since October the French territory of Kwong-chow-wan and the port of Haiphong in French Indo-China have been the bases for supplying both military stores and merchandise. From Haiphong the railway to Kunming (formerly Yunnanfu) is the main feeder for the Chinese Government, but communication by road with Burma has now been established. Air services were suspended after the invasion of South China, but occasional flights are carried out between Hongkong and Kunming, and there is a regular service between the latter city and Chungking.

Egypt

EGYPT had to contend during 1938 with an unsettled situation in the Mediterranean and on her Libyan and Palestine borders. The chief domestic event was the dismissal of the Nahas Cabinet and the advent of the Mohamed Mahmud Ministry, which obtained a large majority at the elections in April. Defence measures were speeded up considerably after the September crisis, with a consequent unbalancing of the Budget. The business recession that started in the spring of 1937 continued right up to the end of 1938, which found the country in an unsatisfactory position.

Agriculture and Industry.—Agriculture presented a mixed picture. The 1937-38 cotton crop was by far the largest on record, namely, 10,600,000 kantars, and, with a bumper production in the United States also, prices declined heavily. Acreage was curtailed, and the 1938-39 crop, reduced by insect attacks, reached only 7,200,000 kantars. Yet prices fell below the level of the previous season. The wheat crop did not exceed domestic needs and prices were firmly held. The acreage under rice, which had been almost halved in the preceding year owing to unjustified fears of water shortage, reverted again to the earlier record figures, and, with the fall in prices that followed, both domestic consumption and exports registered an expansion.

In industry the main feature was the erection of new textile plant, the drastic tariff increase on foreign cotton goods and, towards the close of the year, the adoption of a quota system for imports based on the purchases of Egyptian raw cotton by manufacturing countries.

Trade.—The Egyptian flag advanced in 1938 to fourth rank in the traffic of the port of Alexandria with 543,502 tons out of a total of 5,621,955 tons, against 366,332 tons out of 5,696,161 tons in 1937, when Egypt came sixth.

Foreign trade fell off appreciably, chiefly owing to the decline in the value and volume of cotton exports:—

	1937	1938
(11 months)		
Exports	£E 36,165,099	£E 26,090,596
of which cotton	26,316,968	18,803,284
Imports	34,502,239	32,430,420

The import surplus was actually greater than shown, as the increased imports of war material are not included in the figures above.

Industry and Trade
Foodstuffs

Grain

THE following account of the 1937-38 wheat season is taken from the December issue of "Wheat Studies," published by the Food Research Institute, Stanford University, California:—

Scarcity continued to mark the crop year 1937-38, but it was met without severe strain and was significantly tempered by increasing assurance of large wheat crops in 1938. In consequence, the course of wheat prices was downward, in striking contrast to the advances through most of 1936-37.

A normal harvest in the United States—the first in five years—accounted for most of the substantial net increase in world wheat production in 1937. Severe crop damage in Canada and Argentina, and mediocre outturns in many other countries, were offset by large crops in Australia, Roumania, Italy and several minor producers. Soviet Russia, from big grain crops, exported more than for several years past. Wheat supplies for the world ex Russia were therefore slightly larger than in 1936-37, despite very low initial stocks.

International trade in wheat and flour was light; net exports of net-exporting countries totalled only 553 million bushels. Australian net exports slightly exceeded those of the United States. Canadian and Argentine exports were unusually small, and those from all other countries constituted an exceptionally large fraction of the total. Japan, restricting wheat imports and consumption, forced her flour into Chinese areas as her armies extended their domination and had net exports equivalent to 10 million bushels. Germany, seeking to build emergency reserves, and Spain, because of civil war, had the largest net imports for years.

Wheat supplies for 1937-38 were peculiarly distributed by classes. Soft white wheats were relatively most abundant, due particularly to Australia's good crops, but also to a record outturn in the Pacific North-West of the United States and to a succession of large crops in India. By contrast, exportable supplies of good hard wheats were exceptionally scarce. This was due to small 1937 carry-overs in North America and Argentina

and to short crops in Canada and Argentina that were not fully counterbalanced by surpluses of these crops in the United States.

Wheat utilisation in the aggregate was held down by fairly high wheat prices, and in many countries by Government measures, old or new. The world carry-over consequently rose to a figure equal to the average in the pre-surplus period.

The latter half of the 1937-38 season was dominated by the prospects of exceptionally high wheat yields on an enlarged world acreage. As is shown in the table below (which is compiled from statistics of the International Institute of Agriculture), world production in 1938 is now estimated at 4,400 million bushels, compared with 3,825 million bushels in 1937.

WORLD PRODUCTION, TRADING STOCKS AND PRICES OF WHEAT
(In millions of bushels)

Season August to July	World production (a)		World exportable supplies (b)	World import requirements	World export- able end-of- season stocks	Average Brit. Import (c.f.f.) Prices (shillings per cwt.)
	Exporting Countries	Importing Countries				
1928-29	2,849	1,077	1,376	888	444	10.20
1929-30	2,242	1,223	1,061	671	434	9.98
1930-31	2,682	1,062	1,324	826	499	6.10
1931-32	2,686	1,189	1,321	809	514	5.78
1932-33	2,451	1,405	1,235	629	609	5.77
1933-34	2,320	1,500	1,109	545	564	5.21
1934-35	2,088	1,404	897	533	371	5.83
1935-36	2,153	1,409	711	502	241	6.65
1936-37	2,296	1,220	684	599	100	9.53
1937-38	2,495	1,330	714	524	192	9.46
1938-39(c)	2,920	1,480	1,135	540	595	6.05(d)

(a) Excluding U.S.S.R., China, Iran and Iraq. (b) Including U.S.S.R.
(c) Provisional. (d) August-December, 1938.

BARCLAYS BANK
LIMITED

Head Office: 54 Lombard Street, London, E.C.3
Over 2,000 Branches in England and Wales

WORLD-WIDE BANKING SERVICE

The Barclays group of Banks has Branches in many parts of the Empire and elsewhere, and is represented by Agents and Correspondents throughout the World. This extensive organisation is placed at the disposal of customers desirous of transacting any description of British or Foreign Banking Business.

CHIEF FOREIGN BRANCH: 168 Fenchurch Street, London, E.C.3

EXECUTOR AND TRUSTEE BUSINESS UNDERTAKEN

Associated Companies:

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS).
Head Office: 54 Lombard St., London, E.C.3.
BARCLAYS BANK (FRANCE) LIMITED.
Chief Office in France: Paris.
BARCLAYS BANK (CANADA), Montreal and Toronto.

BARCLAYS TRUST COMPANY OF CANADA, Montreal.
BARCLAYS BANK S.A.I., Rome.
THE BRITISH LINEN BANK.
Head Office: Edinburgh.
THE UNION BANK OF MANCHESTER LIMITED.
Head Office: Manchester.

Both importing and exporting countries were responsible for the enlarged production; Australia was the only major wheat grower in which yields fell substantially below those of last year. Figures for individual countries are given below; the source of the table is again the International Institute of Agriculture:—

ACREAGE AND PRODUCTION OF WHEAT

(Excluding countries whose crop in 1929-33 was less than 15 million bushels)

Countries	Area†			Production†		
	Average 1929-33	1937	1938	Average 1929-33	1937	1938
	'000 acres			'000 bushels		
Germany (a).....	5,015	5,522	5,641	161,514	178,590	214,723
Bulgaria.....	2,988	3,234	3,449	51,584	64,909	78,986
Spain*.....	11,084	12,591	12,502	151,582	257,837	345,380
United Kingdom.....	13,278	12,591	12,502	305,064	257,837	345,380
Greece.....	1,425	1,896	1,929	47,170	56,350	70,336
Hungary.....	1,479	2,118	2,131	15,565	32,373	35,934
Italy.....	3,925	3,665	4,006	78,538	72,157	96,782
Poland.....	12,074	12,782	12,426	258,014	296,280	297,317
Portugal.....	4,108	4,183	4,344	72,151	70,774	84,442
Roumania.....	1,267	1,093	1,093	15,342	14,540	16,534
Sweden.....	7,535	8,777	9,291	108,086	138,157	181,511
Czechoslovakia.....	690	734	751	22,045	25,720	30,170
Jugoslavia (a).....	2,074	2,108	2,218	54,295	51,266	65,708
Other countries.....	5,141	5,342	5,223	84,828	86,238	100,902
Total Europe.....	63,535	68,785	67,837	1,345,601	1,408,207	1,709,300
U.S.S.R.*(b) ... {w}	24,987	36,797	37,306	839,800	...	...
Canada.....	58,086	64,450	63,306	...	...	...
United States... {w}	25,936	25,570	25,930	354,294	182,410	348,100
India.....	37,780	46,946	49,711	572,861	685,102	686,637
Japan.....	19,841	17,514	20,510	210,912	188,891	244,164
Manchuria.....	...	...	...	...	...	...
Turkey.....	...	...	...	...	...	...
Total N. America.....	84,815	90,151	96,999	1,150,224	1,056,403	1,278,901
Algeria.....	32,516	33,215	33,635	350,187	364,075	402,453
Egypt.....	1,280	1,752	1,777	33,645	50,410	45,244
French Morocco.....	3,441	2,967	...	50,253	32,780	30,117
Other countries.....	7,231	8,323	...	93,165	132,985	160,424
Total Asia.....	46,462	47,280	49,725	550,936	592,703	650,600
Argentina.....	3,839	4,311	4,139	30,526	33,108	32,066
Chile.....	1,595	1,421	1,470	44,718	45,376	45,933
Australia.....	2,885	3,027	2,908	27,944	20,895	21,476
Total N. Africa.....	10,307	11,188	10,010	116,036	117,014	113,437
Belgium.....	17,459	19,220	20,868	228,312	184,799	315,991
Czechoslovakia.....	...	...	...	...	...	...
France.....	...	...	...	...	...	...
Germany.....	...	...	...	...	...	...
Hungary.....	...	...	...	...	...	...
Netherlands.....	...	...	...	...	...	...
Poland.....	...	...	...	...	...	...
Jugoslavia.....	...	...	...	...	...	...
Total, British Empire.....	3,773	4,258	3,940	...	...	...
Belgium.....	239	241	238	200	...	...
Czechoslovakia.....	558	710	741	866	...	...
France.....	929	885	969	1,883	...	...
Germany.....	1,672	1,804	2,213	1,119	...	...
Hungary.....	117	144	111	205	...	...
Netherlands.....	229	237	236	546	...	...
Poland.....	444	458	582	...	...	...
Jugoslavia.....	90	101	37	...	...	...
Total, 8 European countries.....	4,278	4,680	5,110	...	...	...
Cuba.....	2,606	3,028	3,039	2,885	...	...
Dutch East Indies.....	538	1,208	1,444	1,394	...	...
Dominican Republic.....	456	454	429	...	...	...
Grand Total.....	15,653	17,736	18,052	...	...	...

* Countries not included in the totals. † The years indicated are those of the harvest, single years referring to the Northern Hemisphere, double years to the Southern. ‡ In calculating the totals account has been taken of the probable area cultivated in some countries for which estimates of production are available, but not those of area. (a) Including Austria. (s) Spring crop. (w) Winter crop. (b) Area provided for in the plan.

World exportable supplies in the current season, estimated at 1,135 million bushels, are thus more than double the expected purchases of importing countries, even when allowance has been made for the probable increase in the use of wheat as an animal feedingstuff, caused by the shortage of maize. This surplus has induced the Governments of exporting countries to take various measures to protect their farmers from the adverse influences of falling prices. In Canada, the Government has offered a wheat loan at a fixed price of 80 cents per bushel, and in the United States a similar policy has been accompanied by export subsidies and by bulk sales of wheat to Britain and other countries. Further, the British Government, as part of its Food Defence Plans, purchased an unknown quantity of wheat early in 1938, a transaction whose methods met with some criticism from the British milling trade; later in the year, bulk purchases were also made of Roumanian wheat.

AVERAGE PRICE OF ALL WHEAT (C.I.F. BRITISH PORTS)

(In shillings per cwt.)

Period	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39
August.....	4.84	6.00	6.08	5.77	5.78	7.47	10.81	7.14
September.....	4.36	6.00	5.74	6.09	6.23	7.87	10.33	6.50
October.....	4.48	6.04	5.50	6.03	6.68	8.36	10.23	5.89
November.....	5.18	6.08	5.10	6.03	6.61	8.80	10.09	5.61
December.....	5.84	5.98	5.33	5.88	6.48	9.35	9.79	5.10
January.....	6.06	5.74	4.89	5.83	6.83	9.94	9.76	...
February.....	6.28	5.48	5.05	5.67	6.97	9.89	9.88	...
March.....	6.22	5.58	4.89	5.59	6.93	9.88	9.40	...
April.....	6.32	5.34	4.90	5.71	6.83	10.37	9.09	...
May.....	6.42	5.54	5.01	5.80	6.81	10.99	8.34	...
June.....	6.66	5.88	5.11	6.00	6.69	10.74	8.31	...
July.....	5.96	5.78	4.97	5.83	6.92	10.63	7.76	...
Average.....	5.76	5.77	5.21	5.83	6.65	9.63	9.46	...

British imports of cereals in 1938 are given below:—

BRITISH IMPORTS OF WHEAT AND OTHER CEREALS

	Quantity			Value		
	1929	1937	1938	1929	1937	1938
Wheat from—	Cwts.	Cwts.	Cwts.	£	£	£
U.S.S.R.....	8,123,387	9,537,670	...	3,055,370	3,055,370	...
Germany.....	423,024	261	...	206,493	253	...
Roumania.....	2,272,488	3,606,515	...	1,028,375	785,101	...
United States.....	22,265,950	3,491,927	15,789,880	11,742,051	1,687,001	6,740,275
Argentina.....	45,378,474	15,471,538	5,810,856	22,906,900	7,206,171	2,507,483
British India.....	141,169	6,273,617	4,397,217	78,134	3,194,020	1,606,138
Australia.....	12,797,402	22,388,923	31,005,730	6,840,517	11,510,086	11,936,041
Canada.....	27,190,832	34,257,198	28,853,371	14,162,371	19,157,938	11,212,121
Other countries.....	3,993,551	4,156,496	2,648,253	2,054,925	1,952,041	825,370
Total wheat.....	111,767,398	96,858,586	101,649,553	57,784,498	49,844,186	38,618,152
Wheat meal & flour from—	Cwts.	Cwts.	Cwts.	£	£	£
France.....	577,593	404,273	180,294	286,646	220,007	52,785
United States.....	2,536,495	107,607	394,994	1,850,850	75,308	225,055
Argentina.....	758,779	409,920	389,314	330,846	181,765	142,973
Australia.....	1,332,439	3,313,587	2,930,984	878,280	1,996,119	1,420,386
Canada.....	3,723,996	4,043,848	3,653,485	2,563,214	2,861,386	2,090,739
Other countries.....	774,174	280,918	128,814	423,597	134,559	48,606
Total.....	9,703,446	8,540,053	7,677,895	6,333,433	5,449,142	3,980,544
Barley.....	11,986,261	18,176,124	19,862,277	5,522,137	7,265,827	6,861,099
Oats.....	6,929,891	1,207,844	1,572,797	2,747,518	485,874	536,725
Maize.....	34,908,609	71,671,479	57,628,180	15,282,135	21,411,441	17,709,855
Total of grain and flour* ..	186,294,316	208,450,681	200,214,548	95,914,625	91,367,180	74,434,439

* Including other items not given above.

In the United Kingdom, yields of barley and wheat were the highest on record, with a consequent slump in barley prices; the operations of the wheat quota continued to provide the British wheat grower with a guaranteed price.

Sugar

SUGAR prices continued in the first half of 1938 the downward trend begun in 1937, and the lowest level, of 4s. 9d. per cwt., c.i.f., basis 96 degrees, was reached in April. The excess of supplies over consumption pressed heavily on the market until in the autumn the very poor yield of sugar beet in Europe gave rise to prospects of a considerably increased demand from the consuming countries. The following table of sugar production in important countries is taken from the Bulletins of the International Sugar Council:—

WORLD PRODUCTION OF SUGAR

(Thousand metric tons, raw value)

	1935-36	1936-37	1937-38	1938-39
United States : cane.....	340	396	417	466
beet.....	1,155	1,242	1,236	1,520
Philippines*.....	848	891	913	...
Other U.S. Possessions*.....	1,659	1,647	1,524	...
Total.....	4,002	4,116	4,090	...
United Kingdom.....	533	589	426	325
Australia.....	662	798	785	805
South Africa.....	379	405	482	...
India (white).....	1,123	1,275	1,090	...
British Colonies.....	1,076	1,191	1,154	...
Total, British Empire.....	3,773	4,258	3,940	...
Belgium.....	239	241	238	200
Czechoslovakia.....	558	710	741	866
France.....	929	885	969	1,883
Germany.....	1,672	1,804	2,213	1,119
Hungary.....	117	144	111	205
Netherlands.....	229	237	236	546
Poland.....	444	458	582	...
Jugoslavia.....	90	101	37	...
Total, 8 European countries.....	4,278	4,680	5,110	...
Cuba.....	2,606	3,028	3,039	2,885
Dutch East Indies.....	538	1,208	1,444	1,394
Dominican Republic.....	456	454	429	...
Grand Total.....	15,653	17,736	18,052	...

* Exports to United States.

The International Sugar Council, meeting in July, reduced export quotas to the free market by 412,500 tons to 3,270,000 tons, and this reduction, assisted by Government purchases of sugar for emergency stocks and by the deterioration of the European beet crop, brought a considerable improvement in the market; the year ended with prices of raw sugar c.i.f. at London slightly above those recorded in January, 1938. Nevertheless, the outlook for 1939 was not

regarded by the market as very bright, as was shown by the marked discount for forward positions which developed towards the close of the year. World stocks at the end of the 1937-38 season had increased, mainly due to the larger holdings in Europe and the United States; the table below gives the estimates of world stocks published by Messrs Czarnikow, Limited:—

VISIBLE SUPPLY AND PRICES OF RAW SUGAR

Season ended September 30th	Stocks (in thousands of tons)					Average Price (a) (Cuban, 96°, c.i.f.)
	Europe	United States All Ports	Cuba Ports	Java	World	
1930.....	798	993	1,139	1,310	1,882	5,522
1931.....	1,702	459	1,092	1,225	2,287	6,765
1932.....	1,401	440	806	1,310	3,133	7,090
1933.....	1,021	348	619	1,220	3,056	6,264
1934.....	873	628	627	958	2,328	5,414
1935.....	1,167	545	360	560	1,496	4,128
1936.....	878	334	287	640	894	2,983
1937.....	811	168	315	797	725	2,816
1938.....	1,308	308	1,188	797	3,601	5 0½

(a) Calendar year.

Unless, therefore, the International Sugar Council is able to repeat and extend for 1939-40 the reductions in export quotas arranged for the 1938-39 season, the free market will again be threatened with excess supplies.

Tea

By a decision taken early in 1938, the International Tea Committee raised the export quotas of countries adhering to the international agreement by 5 per cent. to 92½ per cent. of the basic quotas for the season April 1, 1938, to March 31, 1939. This decision raised the permissible exports by 43 million lbs. to 767.9 million lbs. The increase in supplies was largely confined to the common teas, and, while prices of all varieties of tea fell during 1938, those of common teas suffered most. In the table are given the average prices recorded in the International Tea Committee's Bulletin.

AVERAGE TEA PRICES (per lb., London Sales)

Year	North India	South India	Ceylon	Java	Sumatra	All Tea
	d.	d.	d.	d.	d.	d.
1930	14.69	14.52	18.61	10.22	11.22	15.24
1931	9.51	8.07	11.17	6.42	5.70	9.45
1932	12.83	12.20	14.39	10.34	9.06	12.90
1936	13.01	12.61	14.08	10.81	10.26	13.07
1937	15.05	14.69	16.00	13.76	12.20	15.18
1938	14.22	13.84	15.34	12.85	11.28	14.38
1938—January	14.07	14.24	15.42	12.72	11.54	14.35
February	14.04	14.72	16.59	12.48	11.49	14.66
March	13.84	15.68	16.88	12.93	11.93	14.49
April	14.04	15.81	16.27	14.56	11.68	14.69
May	14.22	14.81	15.23	13.82	12.07	14.56
June	13.85	13.72	14.34	12.51	11.06	13.77
July	13.85	14.38	14.38	11.97	10.79	13.66
August	15.61	12.88	14.78	12.32	11.06	14.70
September.....	15.77	13.51	16.04	13.77	11.07	15.47
October	14.58	13.47	15.19	16.20	12.05	14.67
November.....	13.13	13.14	14.22	13.14	11.15	13.52
December ...	12.99	13.65	15.14	11.83	10.28	13.25

Imports into the United Kingdom in 1938 increased by some 40 million lbs. compared with 1937, but the greater part of the increase went into stock and not into consumption.

Cocoa

At the beginning of 1938, supplies of cocoa from the Gold Coast, the largest producer of cocoa, were held up by the growers as a protest against the buying agreements of the principal shippers, to which they attributed the sharp decline in prices during 1937. The hold-up came to an end in April; the United Kingdom Government appointed a Commission of Inquiry, the buyers agreed to suspend the working of their new arrangements until the Commission had reported, and the stocks of cocoa were liquidated in an orderly manner by the imposition of export quotas under the control of the Gold Coast Government. Exports from the Gold Coast were, however, much lower in 1937-38 than in previous years, owing to the deterioration of the stocks and to a partial destruction of the crop by the farmers. The following table is taken from the *Gordian*:—

EXPORTS OF COCOA BEANS FROM PRODUCING COUNTRIES (in metric tons)

	1929	1936	1937	1938†
World.....	535,517	709,084	640,537	658,670
of which—				
Gold Coast	236,208	306,982	236,259	235,000
Brazil	65,558	121,720	105,113	119,000
Nigeria	56,120	81,841	104,776	90,000
Ivory Coast	16,314	49,765	48,062	50,000

IMPORTS OF COCOA BEANS INTO CONSUMING COUNTRIES

	1929	1936	1937	1938†
World.....	548,389	699,808	651,498	672,470
of which—				
U.S.A.	224,054	275,544	270,503	270,000
Great Britain ...	58,417	103,721	95,675	95,000
Germany	76,689	76,259	72,393	74,000
Holland	49,800	66,956	53,227	73,000
France	35,762	47,418	41,313	43,000

† Provisional

The decline in net imports in 1937 was shared by nearly all the large consuming countries, while the increase in 1938 was due to larger purchases by Holland and by a number of smaller countries.

Prices, after falling sharply in 1937, were maintained in the early months of 1938 by the absence of Gold Coast supplies, but the decline was resumed when the accumulated stocks began to reach the markets. The price of Accra at the London Terminal market fell to 22s. per cwt. in June, and although prices recovered a little in succeeding months, the prospect of large crops in Nigeria and the Gold Coast again brought prices down to close the year at about 22s. per cwt. As the table below shows, there was a large increase in British stocks during 1938:—

BRITISH TRADE IN COCOA AND COCOA PRODUCTS

	Quantity			Value		
	1929	1937	1938	1929	1937	1938
Raw cocoa—	000	000	000	£	£	£
Imports	1,542	1,896	2,633	3,810,844	4,546,159	3,289,953
Home consumption	1,071	1,764†	1,756†	...	...	...
Re-exports	213	175	78	524,105	267,024	132,645
Stocks, Nov. 30 ...	447	710	1,324	...	...	...
Cocoa products—						
Imports	203	15,379	22,471	1,410,972	788,586	852,100
Home consumption	188†	14,967†	20,881†	...	...	...
British exports ...	186	479	417	1,136,240	857,882	812,512

† Eleven months ended November 30th.

The report of the Gold Coast Commission of Inquiry, published in October, acquitted the buyers from depressing the cocoa price, the fall in 1937 being due partly to a collapse of the speculative boom and partly to falling consumption. The Commission considered, however, that a buyers' monopoly was not desirable and proposed instead to organise the producers of cocoa in the Gold Coast in a compulsory marketing scheme. At the close of the year, it was announced that the Gold Coast Government had appointed a small commission to report on this suggestion.

Coffee

WORLD production of coffee declined slightly in 1938, the fall being concentrated on production of mild coffees. Consequently, the proportion of Brazilian coffees to total production rose from 71 per cent. in 1937 to 72.6 per cent. in 1938. The following statistics are taken from *Le Café*:—

WORLD COFFEE PRODUCTION (In thousand bags of 60 kilos.)

Season ended June 30	Brazil	Other Countries	Total	Brazilian Proportion of Total Production
1932	27,581	8,287	35,868	76.8
1933	14,502	9,239	23,741	61.2
1934	30,383	8,935	39,318	77.3
1935	18,496	7,699	26,195	70.4
1936	21,455	10,028	31,483	68.2
1937	26,641	10,889	37,530	71.0
1938	26,517	10,011	36,528	72.6

CONSUMPTION, STOCKS AND PRICE OF COFFEE (In thousands of bags)

Season ended June 30	Consumption		Stocks			Average Price, London (a)	
	Brazilian	All Kinds	Visible Supplies		Brazilian, "Interior" Stocks	Costa Rica	Santos
			Brazilian	All Kinds			
1932	15,589	23,723	4,822	6,702	25,036	139.0	63.2
1933	13,356	22,848	4,874	6,501	16,593	131.1	50.1
1934	16,082	24,451	6,353	8,526	18,615	128.9	49.0
1935	14,859	22,681	5,491	7,541	17,134	83.66	39.2
1936	16,128	25,845	5,789	8,130	20,718	80.1	40.8
1937	14,010	25,006	5,528	7,911	22,568	87.2	48.5
1938	14,797	25,609	5,648	7,230	19,066	75.7	31.5

(a) Calendar years.

(b) Basis altered.

Assisted by the fall in prices which accompanied the drastic reduction in November, 1937, of the Brazilian export tax, consumption improved considerably on the low levels of 1937, particularly for Brazilian coffees, and at the end of the 1938 season, stocks in Brazil were lower than for three years. Brazilian production is still, however, greatly in excess of world demand for her output and the policy of destruction at ports was continued during 1938.

Livestock and Meat

THE agricultural returns for 1938 are summarised in the table given below, which is published by courtesy of the Ministry of Agriculture. There was again a slight fall, of less than 1 per cent., in the number of dairy cows, while the number of other cattle continued to increase. There was a very marked expansion in the number of ewes kept for breeding, while, conversely, the number of breeding sows continued to decline. The slow decrease in the number of horses was continued:—

U.K. LIVESTOCK

(Number)

	1932	1936	1937	1938†
Horses on agricultural holdings* ...	No. 1,161,998	No. 1,103,579	No. 1,096,120	No. 1,092,000
Cattle—				
Cows and heifers in milk	3,118,702	3,306,785	3,270,513	3,258,200
Cows in calf, but not in milk ...	486,187	539,299	552,589	570,200
Heifers in calf.....	1,220,117	1,295,708	1,300,326	1,292,000
Other cattle:—	1,717,122	1,781,766	1,783,748	1,791,900
Two years and above	1,763,907	1,699,402	1,732,061	1,835,200
One year and under two	8,306,035	8,622,960	8,639,235	8,747,500
Under one year				
Sheep—				
Ewes kept for breeding.....	11,431,806	10,929,758	10,982,644	12,270,200
Other sheep:—				
One year and above	4,068,765	2,692,480	2,503,531	2,649,900
Under one year	11,703,210	11,417,939	12,054,729	11,714,000
Total of sheep	27,203,781	25,040,177	25,540,906	26,634,100
Pigs—				
Sows kept for breeding	464,620	568,670	541,013	520,900
Other pigs	3,105,030	3,993,160	3,911,636	3,857,800
Total of pigs	3,569,650	4,561,830	4,452,649	4,378,700

* Figures for Great Britain are the total number of horses on agricultural holdings: for Northern Ireland, those used for agriculture and unbroken horses only. † The figures for 1938 are subject to revision.

As a result of the increased breeding flocks of sheep, the number of fat sheep sold at representative markets in England and Wales in 1938 was 11.6 per cent. larger than in 1937. The supplies of fat pigs declined, but were considerably larger than in 1934-36, when the operation of the bacon

NUMBERS OF LIVESTOCK AT CERTAIN MARKETS IN ENGLAND AND WALES (51 WEEKS)

	1934-6	1937	1938
Fat cattle	524,534	541,300	500,858
Calves	270,257	267,971	268,590
Fat sheep	2,241,375	1,997,087	2,229,107
Fat pigs*	843,240	989,123	939,373

* Bacon contracts suspended 1937 and 1938.

contracts kept most bacon pigs from the free markets. Imports of meat and of animals for food, summarised in the next table, show little change from last year. The increase of

IMPORTS OF LIVESTOCK AND MEAT

	1929	1936	1937	1938
Cattle*—	'000	'000	'000	'000
For food	750	685	650	620
For breeding.....	41	61	62	72
Sheep and lambs*	585	456	312	298
Swine	311	121	43	48
Beef—	'000 cwt.	'000 cwt.	'000 cwt.	'000 cwt.
Chilled	9,309	8,880	8,970	8,962
Frozen	2,365	1,490	1,756	1,634
Other	996	2,408	2,681	2,753
Total	12,665	12,684	13,414	13,355
Mutton and lamb—				
Mutton	...	1,344	1,499	1,605
Lamb	...	4,955	5,302	5,285
Tinned, etc.	...	261	278	344
Total	5,768	6,582	7,096	7,259
Bacon and hams—				
Bacon	8,278	6,570	6,926	6,868
Hams	1,029	672	674	664
Total	9,307	7,242	7,600	7,532
Pork—				
Chilled or frozen	297	1,025	1,057	1,181
Other	502	456	380	381
Total	799	1,481	1,437	1,562

* Mostly from the Irish Free State.

2.3 per cent. in imports of mutton and lamb was due to an expansion of Empire shipments of mutton; imports of lamb declined by 7 per cent.

After a lapse of two years, the system of annual contracts for bacon pigs was resumed in January, 1939. By the Bacon Act passed in July, 1938, feeders of bacon pigs were guaranteed for three years a basic price for their pigs which was to vary only with the price of feedingstuffs. Similarly, the bacon curers were guaranteed for the same period a fixed margin between the price of pigs and the price of bacon irrespective of the actual level of bacon prices; provision was also made for schemes of rationalisation for the bacon industry. For the 1939 bacon contracts, the Pigs Marketing Board obtained a total of 1.4 million pigs; this compares with a total of 1.9 million obtained for 1937, when the bacon curers declared the contracts void, on the grounds that the number of pigs was insufficient to obtain an economical throughput for their factories.

The slump in sheep prices during 1937, caused mainly by the pressure of the large home supply, bore heavily on the sheep breeders and feeders. The extent of the fall in prices can be seen from the following table of meat prices at Smithfield:—

LONDON MEAT PRICES

Weekly Average	Beef		Mutton		Bacon	
	English Long Sides per 8 lbs.	Argentine Chilled Hinds per 8 lbs.	English Wethers per 8 lbs.	N.Z. Frozen per 8 lbs.	English No. 1 Sizeable per cwt.	Danish No. 1 Sizeable per cwt.
1937—March ...	4/7	3/9	7/-	3/8	94/-	92/-
June	5/4	4/6	7/-	3/8	90/-	90/6
September	4/7	4/6	5/8	3/9	105/-	104/6
December	5/-	4/2	6/-	3/6	100/-	100/-
1938—March ...	5/1	4/5	5/1	3/6	102/-	102/2
June	4/5	4/3	4/7	3/4	98/3	98/3
September	4/5	4/3	4/8	3/2	99/-	99/-
December	4/5	4/5			97/6	96/6

New Zealand mutton was less affected by the fall in prices than English and prices of New Zealand lamb were hardly lower in 1938 than in 1937. In December, it was announced that, beginning in January, 1939, imports of mutton and lamb would be placed under the control of the Empire Beef Council. Fat cattle prices also declined in 1938, but bacon prices improved.

Dairy Produce

THE long-awaited milk bill was published in the autumn and its terms followed on the lines laid down in the White Paper published in July, 1937. Criticism of the bill, led by the Milk Marketing Board, attacked particularly the sections concerning the independent Milk Commission, the local option on pasteurisation and the provisions for ten limited experiments in the rationalisation of milk rounds; before the end of the year the Milk Bill was withdrawn "for further consideration." Considerable progress was made with the registers for accredited and attested herds, and the schemes for the eradication of bovine tuberculosis were extended to include beef as well as dairy herds.

In spite of the long spring drought, production of milk increased in 1938 compared with 1937; aided by extensive advertising and the milk-in-schools scheme, liquid consumption increased slightly, but the amount used for manufacture also expanded, as is shown in the following table:—

SALES OF MILK UNDER THE ENGLISH AND SCOTTISH* MILK MARKETING SCHEMES

(Million gallons)

(Million gallons)					
Year, October to September	English			Scottish	
	Sold Liquid		Manu- factured†	Sold Liquid	Manu- factured†
	On Wholesale Contracts	By Producer Retailers			
1933-34	523.8	110.0	211.5	57.3‡	34.6‡
1934-35	552.0	113.2	315.7	70.9	44.6
1935-36	555.6	108.2	360.2	72.6	49.4
1936-37	579.6	104.0	208.8	75.3	45.1
1937-38	618.3§	...	310.9	76.2	44.8

* Excluding Aberdeen and District and North of Scotland Schemes. † Including milk used in farmhouse cheese-making. ‡ Ten months only. § Sales of T.T. milk and of milk by producers with less than 4 cows included from October, 1937.

The increase in wholesale milk prices obtained in the 1937-38 contracts for English milk supplies was augmented by a special increase of 1d. per quart on the retail price in July, which was awarded to meet the extra costs to the farmers of the drought. This additional increase was retained in the contract which the Milk Marketing Board and the Central Milk Distributive Committee negotiated for 1938-39; the retail price in London was stabilised at 7d. per quart for all months and the average wholesale price was raised from 15s. 11d. per dozen gallons to 16s. 3d. per dozen gallons. There was also a smaller increase in the Scottish wholesale and retail prices.

The butter market in 1938 was influenced by a decline in supplies from New Zealand and the disappearance of Russian butter; there was, however, an increase in imports from the Baltic countries, and, as the table below shows, total imports were slightly larger in 1938 than in 1937:—

BRITISH IMPORTS OF BUTTER AND CHEESE

Country of Origin	Quantity: '000 cwt.			Value: £'000		
	1929	1937	1938	1929	1937	1938
Butter:—						
New Zealand	1,304	2,951	2,583	11,277	15,352	14,478
Australia	768	1,492	1,798	6,342	7,522	9,630
Eire	566	320	327	4,580	1,311	1,185
Denmark	2,204	2,258	2,365	19,737	11,911	12,964
U.S.S.R.	290	273	...	2,299	1,258	...
Total (including other countries)	6,397	9,418	9,509	54,706	47,363	50,835
Cheese:—						
New Zealand	1,801	1,731	1,639	8,300	5,392	5,467
Canada	723	722	678	3,412	2,460	2,331
Netherlands	196	217	202	777	434	417
Total (including other countries)	2,994	2,936	2,928	13,913	9,257	9,884

This increase in imports was more than absorbed by the expansion in cold storage stocks which rose from the exceptionally low level of 134,300 cwt. on January 1st to 254,700

cwt. on December 31st. Consequently, in spite of a slightly increased home production (which amounted in 1938 to about 340,500 cwt.), butter consumption in the United Kingdom declined from about 24.8 lb. to about 24.2 lb. per head. The main reason for this fall was undoubtedly the increase in prices during the first half of 1938. The following table of prices is taken from the Weekly Dairy Produce Notes and represents the averages of top quotations at the London Provision Exchange:—

LONDON PRICES OF BUTTER AND CHEESE
(Shillings and pence per cwt.)

Averages of Weekly Figures	Butter			Cheese	
	New Zealand Finest Salted	Australian Finest Salted	Danish	New Zealand Finest White	Canadian Finest White
1936, Annual average	s. d. 101 3	s. d. 100 6	s. d. 119 6	s. d. 61 0	s. d. 67 3
1937—March	98 3	98 6	128 9	60 6	73 0
June	110 0	108 6	114 9	74 3	80 0
September	117 6	117 3	134 6	68 6	70 3
December	113 3	111 6	151 9	66 0	73 6
Annual average	110 9	110 0	127 3	67 0	74 3
1938—March	117 3	117 3	122 6	69 3	77 3
June	122 0	119 3	124 3	68 9	80 0
September	120 0	116 0	135 9	72 6	72 0
December	109 6	107 3	144 6	69 3	72 3
Annual average	117 6	115 3	130 3	69 6	76 0

The fall in butter consumption was accompanied by an increase of 13 per cent. in the deliveries of margarine.

There was a decline in 1938 in imports of cheese from Canada and New Zealand, which was offset by an increase in those from Australia. Total imports, as shown above, were a little lower than in 1937, but home production, both factory and farmhouse, increased from the exceptionally low level of about 755,200 cwt. in 1937 to about 873,700 cwt. in 1938. Wholesale prices of imported cheese were on the average a little higher than in 1937, when prices were also higher than in 1936.

Eggs and Poultry

THERE was again a decline in the number of fowls in the United Kingdom, but compared with the fall of 8 per cent. between 1936 and 1937, the fall from 69.1 millions in June, 1937, to 68.7 millions in June, 1938, was barely significant and was partly offset by a small increase in the number of other kinds of poultry.

NO. OF POULTRY IN THE UNITED KINGDOM*
('000)

	1932	1936	1937	1938
Fowls	73,489	75,241	69,053	68,717
Other	5,179	5,334	4,833	5,098
Total of Poultry	78,668	80,575	73,886	73,815

* On agricultural holdings above one acre in size.

Owing, however, to the larger decline in the number of older hens, the Imperial Economic Committee estimates that the home production of eggs declined from around 36.7 million great hundreds in 1937 to about 35 million great hundreds in 1938. Consumption of eggs is estimated to have increased from 156 to 159 per head of population in spite of the fall in home production, as imports of eggs in shell attained the record level of 27.7 million great hundreds. Most of the increase was due to an expansion in British imports from foreign sources.

IMPORTS OF EGGS AND POULTRY

	Quantity				Value (£'000)			
	1929	1936	1937	1938	1929	1936	1937	1938
Eggs in shell ('000 gr. hundreds)	24,964	24,607	24,742	27,697	17,856	9,886	10,443	12,374
Eggs not in shell ('000 cwt.)	782	887	848	944	3,621	2,152	2,180	3,058
Dead poultry ('000 cwt.)	554	422	506	445	2,960	1,659	1,981	1,747

Larger imports from Central Europe, the Netherlands, the Baltic countries, Egypt and certain South American countries

more than offset a decline in supplies from Denmark and China. Imports of eggs not in shell also increased in 1938, but there was a decline in imports of dead poultry. Egg prices were higher during the summer and early autumn of 1938 than in the corresponding periods of 1937; the following table gives monthly averages of the top prices of certain classes of eggs at London and is taken from statistics published in the Weekly Dairy Produce Notes:—

EGG PRICES AT LONDON
(Shillings and Pence per 120)

Averages of Weekly Figures	English N.M. Specials	Dutch 18 lbs.	English N.M. Standards	Danish 15½ lbs.
1936—Annual average	16/9	13/9*	15/6	11/3
1937—March	12/10	13/2	12/1	10/7
June	13/11	12/4	12/9	8/5
September	21/0	15/11	19/3	13/10
December	23/9	18/5	21/0	17/0
Annual average	17/3	...	16/0	11/7
1938—March	11/8	11/5	10/8	8/8
June	14/8	12/11	13/9	10/8
September	21/6	15/8	19/9	13/10
December	22/2	17/8	18/1	14/4
Annual Average	17/9	14/6	16/3	12/2

* 11 months.

The mild weather in both early spring and autumn increased supplies in these months and prices in February, March and December of 1938 were lower than in the corresponding months of 1937, although taken over the year as a whole, egg prices were higher in 1938 than in 1937.

Fruit and Vegetables

HORTICULTURISTS suffered severely from the vagaries of the weather in 1938. The exceptionally mild March was followed by severe frosts both in April and again early in May and growth was also hampered by the long spring drought. The early strawberry crop was most affected by the frosts and only Devon and Cornwall had supplies in any quantity. The yield of all fruits, whether bush or tree, was low; there was a fair crop of raspberries in the south-west, but the yields of apples, cherries, plums and pears were very poor in all districts. Prices for plums and culinary apples were fairly satisfactory to those growers who had good fruit to sell, but otherwise prices were low. The tomato crop was unusually affected by disease and prices were on the whole lower than in 1937.

The acreage under orchard and small fruit again contracted in 1938, as is shown by the following table:—

AREA UNDER CERTAIN FRUIT AND VEGETABLE CROPS
IN GREAT BRITAIN

(In thousands of acres)

	1928	1935	1936	1937	1938
Orchard fruit	249.5	263.6	262.6	259.9	252.0
Small fruit	72.7	69.0	65.2	61.8	59.4
Total	322.2	332.6	327.8	321.7	311.4
Potatoes	633.0	594.4	534.0	590.7	612.6
Cabbage*	27.9	37.5	43.7	38.2	43.2
Sprouts†	30.4	34.1	35.0	32.5	41.3
Cauliflower†	13.5	19.5	20.5	18.8	19.9
Carrots	10.3	16.4	17.4	14.5	16.3

* Including savoy, green kale, and sprouting broccoli for human consumption.
† England and Wales only.

After a good crop of potatoes in 1937, which brought prices to growers down to a lower level than those in 1936-37, both yield and acreage of main crop potatoes were higher in 1938 than in the previous year.

AREA,* PRODUCTION* AND IMPORTS OF POTATOES

	1936	1937	1938
Main crop:—			
Area '000 acres	471.7	472.6	492.1
Production '000 tons	3,250	3,480	3,643†
Wholesale price, King Edw. s. per cwt.	7.79	8.32	5.92
Earlies:—			
Area '000 acres	117.9	118.1	120.5
Production '000 tons	554	583	405†
Imports '000 tons	317	223	146

* On agricultural holdings in Great Britain.

† Estimated.

Consequently, the Potato Marketing Board enforced, early in the autumn, a comparatively high riddle and also prohibited the sale for human consumption of potatoes weighing more than 1 lb. The crop of early potatoes was affected by the late frosts and the long spring drought.

Fish

THE past year was memorable in the fishing industry both for the passing of the Sea Fish Bill and for the combined action of the East Coast owners of trawlers in restricting their catch. The large landings of fish and low values experienced in 1937 led to a voluntary agreement among trawler owners in Grimsby and Hull to lay up 20 per cent. of their vessels engaged in long-distance fishing as from January 1st, and a similar restriction was later agreed upon for North Sea trawlers. This restriction of output was attacked by representatives of fish merchants on the grounds that it involved unnecessarily high prices to consumers and a reduced consumption. The Sea Fish Bill, based on the recommendations of the Sea Fish Commission, provided for the registration of all producers of and dealers in white fish as a prelude to more efficient marketing of fish, and this registration was effected by the end of January, 1939. It was originally hoped that a producers' marketing scheme would be submitted immediately after the passing into law of the Sea Fish Bill, but no definite step had been taken by the middle of February, 1939, although it is believed that the British Trawlers Federation is planning a rationalisation scheme for the near-water fishing. The year 1938 also saw the reconstruction of the Herring Industry Board; the previous Board, which was representative of the various interests concerned, was replaced as from December 1, 1938, by three members appointed by the Government. The personnel of the new Board was the subject of a protest from the English Herring Catchers' Association, on the grounds that all three members

and not only the chairman should be on a full-time basis and that Scottish interests had received preferential treatment.

Total landings in 1938 showed a decline from those in 1937, but total value increased, as is shown in the table given below:—

BRITISH LANDINGS AND TRADE IN FISH
(000's omitted)

Kinds of Fish	Quantity			Value		
	1936	1937	1938	1936	1937	1938
England and Wales:						
Cod	6,523	6,949	6,446	3,555	3,669	4,239
Haddock	1,599	1,898	1,833	1,331	1,502	1,696
Hake	465	567	639	978	1,052	1,184
Herring	2,858	3,376	2,587	1,212	1,218	804
Plaice	553	518	461	1,309	1,296	1,188
Halibut, soles and turbot	333	325	260	1,326	1,271	1,107
Ling, ray, skate and whiting	788	761	791	751	656	704
Total wet fish*	15,813	17,034	15,532	11,931	11,932	12,232
Oysters	193	166	158	176	137	132
Total shell fish*	...	...	...	444	436	407
Total value†	...	...	...	12,375	12,367	12,639
Scotland: Wet fish	5,065	4,702	5,381	3,788	3,422	3,828
Great Britain: Wet fish	20,877	21,735	20,913	15,719	15,354	16,060
Imports of fresh and frozen fish	1,648	1,596	1,636	2,497	2,683	2,802
Exports of fresh and frozen fish	1,327	1,131	1,076	1,143	938	843
Exports of cured or salted fish	3,133	2,787	3,203	2,578	2,409	2,830
Re-exports†	146	193	148	446	544	323

* Including other items not given above.

† Fish of all kinds.

The decline in landings of wet fish was due mainly to the laying up of trawlers at East Coast ports, but was also influenced by the political crisis in September and by the heavy gales experienced in October. The herring season was an exceptionally poor one, an unusual proportion of the catch being small or immature fish.

Guaranty Trust Company of New York

Incorporated with limited liability in the State of New York, U.S.A.

SINCE the establishment of its London Office forty-one years ago the Guaranty Trust Company of New York has aimed at the constant development of its services in order to render its customers the greatest assistance possible in their commercial and financial transactions both in and between Europe and America.

Every phase of modern banking business is undertaken and the management at any of the offices will be glad to explain the Bank's facilities in detail.

32 Lombard Street, E.C.3

50 Pall Mall · SW1

Bush House · WC2

CAPITAL & SURPLUS \$260,000,000

NEW YORK

LIVERPOOL

PARIS

BRUSSELS

HAVRE

ANTWERP

Raw Materials

Coal

THE past year witnessed a moderate recession in the output of coal. The total quantity of coal raised in 1938, at 228.2 million tons, was only 5.4 per cent. smaller than in 1937. The recession was most marked in exports and shipments for the use of steamers engaged in foreign trade which, at 46.3 million tons, were 11 per cent. lower than in 1937.

As a result of the operation of the control of output and prices, the latter were only slightly lower, on the average, than in 1937. The Board of Trade index of coal prices, for example, fell from 124.9 in 1937 (1930 = 100) to 123.2 in 1938. As the table below shows, the average export price of coal was actually higher in 1938 than in the preceding year. The profits of the industry, consequently, have been fairly well maintained.

Apart from the recession in production, the feature of the past year was the passing of the Coal Act, 1938, which received the Royal Assent on July 29, 1938. The Act consists of three main parts. First, it provided for the purchase and administration by the State of the coal royalties. Secondly, it strengthened the provisions of the 1930 Act for compulsory amalgamations. Thirdly, it prolonged Part I of the 1930 Act which was the legal basis for the quota system and the selling schemes.

The table below summarises the experience of the industry in recent years:—

BRITISH COAL INDUSTRY

Year	Output	Exports (including Bunkers)	Average Export Prices (Board of Trade), F.O.B.	Unemployment in Coal Mining Industry				
	Thous. Tons	Thous. Tons	s. d.	%				
1929 ...	257,907	76,658	16 1	16.2				
1931 ...	219,459	57,360	16 2	28.2				
1932 ...	208,244	53,108	16 3	34.0				
1933 ...	207,108	52,525	16 1	32.9				
1934 ...	220,728	53,147	16 0½	28.2				
1935 ...	223,001	51,250	16 3½	25.2				
1936 ...	228,524	46,482	16 11½	22.2				
	1937	1938	1937	1938	1937	1938		
	Thous. Tons	Thous. Tons	Thous. Tons	s. d.	s. d.	%	%	
Jan.	19,500	20,832	3,977	3,939	17 0½	20 2½	15.4	11.3
Feb.	19,800	20,099	3,532	3,495	17 3¼	20 9	15.3	11.2
Mar.	20,900	22,006	3,986	3,892	17 5	20 11	14.6	11.8
Apr.	21,700	17,826	4,254	3,560	17 7½	20 9½	13.8	14.4
May	18,700	19,122	4,122	4,169	18 6½	21 11	17.4	17.3
June	20,200	17,118	4,449	3,722	18 10½	22 0½	18.9	18.0
July	18,900	16,826	5,124	3,891	18 11½	21 2½	16.3	22.0
Aug.	18,200	17,049	4,491	3,718	19 0½	20 8½	13.6	17.8
Sept.	20,400	18,517	4,678	3,882	19 5	20 9	13.5	17.4
Oct.	20,400	19,966	4,844	4,285	19 4½	20 9½	13.1	14.2
Nov.	21,200	19,969	4,507	4,201	19 5½	20 9½	11.7	15.1
Dec.	21,100	19,153	4,122	3,627	19 7	20 7	11.5	14.4
Year	241,000	228,214	52,041	46,350	18 6½	20 10½	14.6	15.4

The following table, compiled from figures published by the Mines Department of the Board of Trade covering about 96 per cent. of the industry, shows output, costs and proceeds for the fourth quarter of 1937 and the first three quarters of 1938:—

OUTPUT, COSTS AND PROCEEDS

Great Britain	1937	1938			
	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	
Tonnage disposable...tons	56,287,555	58,187,345	48,253,496	46,917,001	
Wages	28,181,090	28,717,298	25,974,808	25,265,314	
Stores and timber	6,192,651	6,357,283	5,733,489	5,427,179	
Other costs	6,866,051	7,018,547	7,109,734	6,910,512	
Royalties	1,331,396	1,323,587	1,172,939	1,173,822	
Net costs*	42,454,444	43,295,356	39,903,368	38,711,151	
Commercial disposals	46,738,615	48,784,365	41,547,474	40,404,253	
Balance	+ 4,284,171	+ 5,489,009	+ 1,644,106	+ 1,693,102	

* Includes Miners' Welfare Fund contributions and excludes proceeds of miners' coal.

Working results per ton, together with the earnings and output per man-shift, are given below:—

WORKING RESULTS

Period	Pro-ceeds per Ton	Wages per Ton	Net Cost per Ton	Net Balance Credit (+) or Debit (−) per Ton	Output per Man-shift Worked	Earnings per Man-shift Worked
1936	s. d.	s. d.	s. d.	s. d.	Cwt.	s. d.
First quarter...	14 8-46	8 11-72	13 2-74	+1 5-72	23-95	9 11-86
Second quarter...	14 3-88	9 3-33	13 11-07	+0 4-81	23-28	10 0-22
Third quarter...	14 4-40	9 3-63	13 11-52	+0 4-88	23-12	10 0-19
Fourth quarter...	15 0-57	9 1-69	13 8-52	+1 5-04	23-76	10 1-10
1937	s. d.	s. d.	s. d.	s. d.	Cwt.	s. d.
First quarter...	15 6-54	9 3-38	13 9-12	+1 9-42	24-00	10 4-18
Second quarter...	15 6-01	9 11-08	14 6-93	+0 11-08	23-36	10 9-74
Third quarter...	15 9-99	10 0-81	15 2-17	+0 7-82	22-72	10 7-90
Fourth quarter...	16 7-29	10 0-16	15 1-02	+1 6-27	23-30	10 10-14
1938	s. d.	s. d.	s. d.	s. d.	Cwt.	s. d.
First quarter...	17 4-38	10 2-67	15 4-93	+1 11-45	23-40	11 1-44
Second quarter...	17 2-65	10 9-19	16 6-47	+0 8-18	22-64	11 3-44
Third quarter...	17 2-68	10 9-24	16 6-02	+0 8-66	22-53	11 2-97

The destination of raw coal exports in 1929, 1937, and 1938 is shown below:—

BRITISH EXPORTS OF COAL (Excluding Bunkers)

To—	Quantity			Value		
	1929	1937	1938	1929	1937	1938
U.S.S.R.	33,787	...	...	28,877	...	...
Finland	462,266	1,382,989	1,141,288	332,213	1,188,219	1,060,152
Sweden	2,335,855	3,207,088	2,655,311	1,779,148	2,752,504	2,518,271
Norway	1,444,467	1,397,456	1,365,939	1,025,904	1,355,129	1,323,830
Iceland	...	126,488	123,774	...	136,861	135,502
Denmark	2,194,385	3,303,302	2,996,858	1,626,763	2,802,576	2,668,747
Germany	5,520,944	3,284,165	3,689,733	3,797,113	2,709,188	3,557,125
Netherlands	3,123,368	1,090,778	890,025	2,218,014	1,017,882	922,999
Belgium	4,139,634	924,834	657,907	2,817,292	768,928	597,156
France	13,065,033	8,865,459	6,155,460	10,390,391	8,399,042	6,540,411
Switzerland	...	348,689	257,104	...	256,139	268,527
Portugal	1,050,469	932,325	713,800	835,206	865,333	778,602
Spain	1,782,649	757,496	1,003,898	1,613,718	846,122	1,216,734
Canary Islands	456,410	95,255	61,313	372,996	82,701	63,350
Italy	7,094,308	2,207,982	2,260,183	5,989,323	2,268,538	2,616,228
Greece	589,281	116,603	143,474	512,136	136,714	165,264
Egypt	2,267,874	1,409,562	1,576,683	1,869,395	1,292,886	1,738,639
Tunis	...	172,582	184,946	...	152,157	186,248
Algeria	1,808,081	772,948	886,821	1,345,117	641,039	888,938
Spanish Ports in N. Africa	...	42,680	3,606	...	44,253	2,705
Morocco	...	34,412	52,242	...	36,793	46,251
French W. Africa	215,866	148,351	131,051	181,189	119,324	125,570
Portuguese West Africa	299,764	...	...	233,461	...	...
United States of America	334,781	108,630	134,563	511,608	175,092	237,600
Chile	40,207	...	...	29,138	...	...
Brazil	1,808,925	603,381	531,316	1,583,370	591,142	566,073
Uruguay	394,724	321,764	285,216	344,538	290,435	304,798
Argentina	2,798,861	2,202,835	2,030,407	2,559,624	2,192,147	2,271,632
Irish Free State	2,456,122	2,577,707	2,476,983	2,397,503	2,660,397	2,639,417
Channel Islands	208,690	270,205	259,946	228,754	337,732	345,208
Gibraltar	347,896	460,516	409,757	276,832	371,329	389,530
Malta and Gozo	184,953	70,593	82,339	156,377	67,186	88,615
Canada	744,823	1,062,128	1,128,234	934,646	1,409,534	1,540,152
Newfoundland	...	160,586	159,304	...	149,559	159,321
Other countries	3,081,695	1,531,444	1,345,831	2,628,467	1,492,556	1,348,935
Total	4,217,326	3,805,846	3,562,403	5,073,147	4,853,093	4,872,538
(a) Anthracite	40,805,453	27,403,678	23,816,258	31,996,397	24,806,324	24,053,515
(b) Steam	7,316,673	4,023,586	3,842,240	5,441,666	3,380,604	3,769,047
(c) Gas	1,855,364	1,586,341	1,512,374	1,841,025	1,739,751	1,713,795
(d) Household	6,071,802	3,518,579	3,127,633	4,284,576	2,873,857	3,002,072
(e) Other sorts	...	...	...	...	...	...
Total of Coal	60,266,618	40,338,030	35,880,908	48,616,811	37,653,529	37,410,967

An account of developments in the main producing areas is given in the following extracts from the *Iron and Coal Trades Review* of January 20, 1939:—

South Wales.—Trade in the first few months of 1938 was active because of business held over from the previous year, but as this was worked off the high prices caused buyers to withhold contracts. The district's high production costs resulted in the loss of much business to subsidised foreign competitors. There were several important labour changes, the chief being the merging of the South Wales Miners' Federation and the Miners' Industrial Union, and the introduction of holidays with pay for miners. Production of coal reached about 36,500,000 tons compared with 38,250,000 tons in 1937; 137,000 miners were employed at the beginning of the year, but in the latter half there was a gradual deterioration to 133,000 in December. Shipments of coal, patent fuel and coke were estimated at 20,304,000 tons, a fall of 900,000 tons from the 1937 figure. Trade with France was difficult, partly

due to currency devaluations which made Welsh prices prohibitive. The announcement of arrangements to improve the French trade was therefore welcomed. The full effect of German competition was felt in the Portuguese trade.

Northumberland.—Official control made 1938 a difficult year for producers and exporters, but brought some stability to prices. The maintenance of prices was accompanied by periods of short-time working, for the effects of stocks accumulated in 1937 were felt until the autumn, and the trade agreements with Scandinavian countries were valuable in ensuring a proportion of trade for this country. Some business was lost to other districts, for in 1937 the collieries had held out for higher prices. Prices declined steadily until the beginning of September when the volume of trade improved slightly. The Australian strike in October placed producers in a sound position for the rest of the year, and although the export trade still left much to be desired the market closed on a steady note.

Durham.—The volume of trade was considerably below normal production, and large inroads into regular trade connections were made by foreign producing countries. The collieries producing gas- and coking-coal were most affected and many were compelled to curtail output. Prices were firmly controlled, but substantial reductions may be necessary to regain lost trade. The year was uneventful apart from the steady downward price movement. The bunker market was disappointing throughout the year, for prices never declined enough to divert vessels from foreign coaling ports. Prices of gas- and foundry-coke also declined, under the strict control of the International Coke Cartel.

South Yorkshire.—Both the home market and export trades suffered from the disturbed international conditions and short-time working in the textile districts reduced industrial fuel consumption. With the exception of June, profits were yielded throughout the year, prices being maintained by selling schemes. Holidays with pay helped to strengthen good relations between employers and employees. At the beginning of the year the number of Yorkshire mineworkers unemployed was 12,292, but by October it had risen to 34,338, the highest in any British coalfield. The year's shipments from Hull totalled 847,388 tons, compared with 1,017,405 tons in 1937.

Lancashire, Cheshire and North Wales.—The year opened brightly in the landsale trade and domestic demand was consistently good throughout the first three months. Business was then quiet until the second half of August, when there was a marked increase before the rise of 1s. 8d. per ton on September 1st. The selling scheme worked well in this section. Industrial demand was poor and large stocks were accumulated, but prices rose further. The coke market was reorganised and a price schedule drawn up, but most contracts went to "outside" manufacturers. Much of the bunkering trade was lost to Continental ports, where prices were lower.

Oil

THE rapid progress of the petroleum industry was checked in the past year by the recession in world economic activity. The trend of world production and consumption in recent years is shown below:—

WORLD PRODUCTION AND CONSUMPTION OF CRUDE OIL AND RELATED FUELS (In millions of barrels)

	Production			Consumption		
	U.S.A.	Rest of World	Total	U.S.A.	Rest of World	Total
1934	946	617	1,563	920	590	1,510
1935	1,035	661	1,696	981	617	1,598
1936	1,145	720	1,865	1,093	703	1,796
1937	1,329	781	2,110	1,168	752	1,920
1938*	1,205	790	1,995	1,130	750	1,880

Source: Messrs V. R. Garfias and R. V. Whetsel.
* Estimated.

But while production and consumption declined in the United States, there was little change in the rest of the world. The lower oil consumption in the United States was the direct consequence of the general setback in business. The upward trend in the use of petrol and heavy oil for all kinds of transport (road and rail as well as sea and air) was not interrupted last year, and the consumption of fuel oil in domestic and industrial oil burners made considerable headway in 1938. Consequently, the setback in the world's oil consumption can be regarded as temporary.

On the supply side some interesting changes occurred in the past year. Canadian output has been raised from 3.0 million barrels in 1937 to 7.5 millions in 1938. Since 1936 the Dominion's production has thus been increased fivefold. This remarkable achievement is the direct result of the Alberta (Turner Valley field) developments, which are still in full swing. Production in Bahrain, which had shown the largest percentage increases in recent years, increased in 1938 by only

600,000 barrels to 8.4 million barrels. In Roumania the decline in supplies due to reduced efficiency continued last year, but the tempo of this decline has slowed down. At 48.8 million barrels the 1938 figure was only 6.5 per cent. lower on the year, against a decline of over 18 per cent. in 1937. The increase in Russia's productions from 206.7 million barrels in 1937 to 217.5 million barrels last year, and the rise in Germany's output from 3.4 million barrels to 4.2 millions are of interest. In Russia some of the younger fields (particularly Maikop) are now increasing in importance, although the Baku field continues to contribute the bulk of the higher output. In spite of the higher level of production, Russia's exports continued to fall in 1938, and they have now reached an unimportant level. In Asia, Iran has curtailed its output slightly last year owing to reduced demand. In America, production in the United States has been cut for the same reason. Texas (which supplies over 40 per cent. of the U.S.A. oil) produced on a much smaller scale by closing the wells on two days each week during part of the year. In Mexico the output fell sharply (from 46.9 to 38.9 million barrels) after the expropriation of the foreign oil companies in the spring, while Venezuela benefited to some extent from the smaller Mexican supplies, and was thus enabled to raise its production from 186.9 to 191.6 million barrels. The United States has remained by far the largest producing country, followed by Russia, Venezuela and Iran.

OIL PRICES

	1934	1935	1936	1937	1938
Crude Oil (\$ per barrel):					
Pennsylvania	1.72	2.02	2.17	1.88	1.34
Mid-Continent	1.08	1.08	1.18	1.30	1.10
Gulf	1.14	1.14	1.22	1.41	1.28
Gulf Bulk Export Gasoline					
64-66 deg. (cents per gallon)	4½	5½	5½	5½	4½
England and Wales Petrol					
1st grade (wholesale shillings per gallon)...	1/4	1/5	1/5	1/6	1/6

Owing to the reduced exports from Russia and the lower supplies from Roumania, Iran and Mexico competition on the international market was not too strong. The fears



MARTINS BANK LIMITED

Every Banking Service

Capital Paid Up and Reserves - £8,038,772
Deposits, etc., at 31st Dec., 1938 - £100,038,392
Total Assets £116,607,645

LONDON DISTRICT HEAD OFFICE:
68 LOMBARD STREET, E.C.3

HEAD OFFICE:
WATER STREET, LIVERPOOL, 2
587 BRANCHES

of large exports from Bahrein to Europe, and particularly to Great Britain, to which reference was made in the *Commercial History* of last year, proved unfounded. In the United States, there was again a revival of price-cutting and wholesale and retail prices for petrol declined throughout the year. Apart from some adjustments in the Pennsylvania crude price, however, the price level for crude oil remained stable until October, when a major cut was made, reducing the quotation to the level given in the price table. Owing to the unsatisfactory position on the United States' domestic market the export pressure of the country's oil industry was stronger than in recent years, and as the demand in the rest of the world was reasonably good, American exports showed a substantial rise on the year from 160.5 million barrels in the first eleven months of 1937 to 177.8 million barrels in the corresponding months of 1938. The State control in the United States showed less satisfactory results than in the preceding two years. The setback in consumption revealed the lack of control over refining in the Compact States, voluntary co-operation having been rendered difficult by the Madison anti-trust judgment of January 22, 1938, in which 16 oil companies and 30 of their executives were compelled to pay heavy fines. There is, however, reasonable hope that the control will be strengthened in 1939, as the Compact States have started a campaign for an increase in their membership and for an extension of their control activities, a campaign which has found the support of President Roosevelt.

Comprehensive stock figures for the countries outside the United States are not available. In the United States stocks of crude oil declined substantially during 1938, reaching 273.0 million barrels on December 31st (the lowest end-year level for over 15 years), against 303.4 millions a year before. Stocks of petrol, which had opened the year at 77.4 million barrels and had risen to 93.2 millions at the beginning of the spring season, fell to 71.7 million barrels on December 31st. On the other hand, stocks of fuel oil advanced sharply from 118.7 million barrels at the beginning of the year to 154.7 million barrels in the middle of November, and though there was a small decline to 144.8 million barrels at December 31st, stocks remained excessively high.

The oil tanker market, which is of great significance for the European oil and petrol price level, showed a disappointing tendency in 1938. The most representative rate for clean oil (Gulf-United Kingdom or Continent) fell from 32s. per ton at the beginning of the year to 12s. at the end of 1938. Similar reductions have been made in practically all other rates. The downward trend continued throughout the year and was interrupted by only a few short rallies. During the year 112 oil tankers, with an aggregate tonnage of 907,053 tons, were launched. This figure was the highest for some years, and compares with 769,744 tons in 1937 and 667,794 tons in 1936. In spite of the higher launchings, however, the world's oil tanker tonnage is by no means excessive, so that a revival of oil shipments would soon result in increased tanker rates.

Oilseeds and Oils

The oilseed crushing and vegetable oil industry had only a moderately satisfactory year. Although employment in the mills and refineries and the volume of trade were practically as high as in 1937, unsettled political conditions and the almost continuous downward trend of prices made business very difficult. World supplies of raw materials were good and apparently ample for all purposes. Imports of oilseeds, nuts and kernels into the United Kingdom, at 1,630,665 tons, were 8,404 tons more than in the previous year, but their value was only £14,690,585, compared with £17,499,561 in 1937, a decline of 16 per cent. Of these imports, 37 per cent. consisted of cottonseed from Egypt, British East Africa and the Anglo-Egyptian Sudan; oilnuts and kernels, practically exclusively from British countries, accounted for 35 per cent., and linseed from India and Argentina, 16 per cent. India has a 10 per cent. import preference and four-fifths of the linseed came from that country. Imports of soya beans were all from foreign countries and were maintained at about the level of the previous year but were much below the quantity purchased before the 10 per cent. duty was imposed. There was a substantial increase in imports of ground nuts, which amounted to 326,448 tons, compared with 270,370 tons in 1937. At the beginning of the year it was feared that linseed supplies would be insufficient; world shipments amounted to 1,686,000 tons, compared with 2,113,000 tons in 1937, but world requirements were so much smaller that there was no shortage. Consumption in the United States alone fell from 768,600 tons to 393,000 tons. The general trend of prices

was downwards, though there was some improvement in the last quarter of the year.

Imports of refined and unrefined vegetable oils amounted to 228,509 tons, compared with 213,903 tons in the previous year, an increase of 14,606 tons, or about 7 per cent. Palm, coconut and olive oils constituted 80 per cent. of this total. Imports of linseed oil were mainly from Holland but, at 18,832 tons, the quantity was only half that purchased in 1937. The import duty of £5 per ton was maintained, but efforts to increase it in order to afford further protection to the British crushing industry were unsuccessful. There was a further increase in the quantity of oil cakes imported, from 633,050 tons in 1937 to 656,557 tons in 1938. Approximately half was derived from Empire sources and therefore was admitted free and the other half from foreign countries subject to a duty of 10 per cent. The oilseed crushing industry has for some time been pressing for increased duties on foreign-made oilcakes and quota restrictions on the importation of those from India and other British sources. But, in view of the present condition of English agriculture, it is realised that there might be considerable difficulty in persuading the Government to take any step which would tend to raise the price of oilcake against the farmer.

Demand for vegetable oils was fairly good but prices showed a downward tendency. Thus, raw linseed oil was quoted at £29 10s. per ton in January, but by July had declined to £21 5s., the lowest point of the year. The international crisis in September caused prices to rise, but they quickly fell again and the year closed at £23 10s. Linseed oil did not suffer from such keen competition from Dutch linseed as in the previous year as the average price of the latter was higher. Refined cotton oil was subject to comparatively small fluctuations. Both home and domestic trade in ground nut oil showed a further expansion. Exports of castor oil also increased, though prices were about £5 per ton lower.

Export business was less satisfactory than in 1937, partly on account of the unsettled political conditions which affected foreign markets and partly because of the reduced demand from the United States for refined cotton oil. The values of vegetable oils and oilcakes exported were, respectively, £2,089,932 and £306,878 in 1938, compared with £3,151,946 and £134,641 in 1937.

The following table shows British supplies of vegetable oils in recent years, together with figures of net imports and exports.

BRITISH SUPPLIES OF VEGETABLE OILS
(In tons)

	1934	1935	1936	1937	1938
Home Production:					
Linseed oil	61,360	85,767	90,920	95,345	92,103
Cottonseed oil	90,980	109,207	100,352	112,021	103,474
Other seed oils	44,774	46,784	31,746	33,715	34,720
Palm kernel oil	61,158	67,540	65,258	67,422	60,234
Ground nut oil	50,792	68,367	82,815	121,758	146,902
Copra oil, etc.	60,506	73,634	77,996	51,485	70,897
Total	369,570	451,279	449,087	481,746	508,357
Deduct Exports:					
Unrefined	34,480	51,467	53,052	70,512	74,610
Refined	23,798	43,646	21,342	26,397	13,000
Remainder	311,312	356,166	364,693	384,841	420,538
Add net imports	196,489	223,326	212,865	228,509	213,903
U.K. Supplies	507,801	579,492	577,585	613,350	634,441

The estimated supply of oilcakes, including net imports, available for consumption was 1,750,000 tons, compared with 1,770,000 tons in 1937 and 1,530,000 tons in 1936.

Rubber

The following is a summary of Messrs S. Figgis and Company's Annual Review of the Rubber Market, 1938:—

The political situation in Europe and the big industrial decline in the United States in the first half of 1938 made the year a difficult one both for the rubber market and producers. The latter were affected not only by the lower prices but also by the very much smaller quantity allowed to be shipped. In 1938 permissible exports averaged 55 per cent. of basic quotas, or 712,388 tons, compared with 834,000 tons in 1937, or 1,053,993 tons, in 1937. In the second half of 1937 shipments up to 90 per cent. of basic quotas had been allowed and in the consequent heavy additions to stocks here and in the United States. At the end of June, 1938, they totalled 386,878 tons compared with 215,483 tons a year earlier, and for the second half of the year the quota was reduced to 45 per cent. On February 22nd the International Rubber Regulation Committee recommended a new restriction scheme for a further five years, 1939 to 1943. The basic quota during 1939 was increased by 184,000 tons, including Siam, whereas

the average increase in 1937 and 1938 had been 40,600 tons. After 1939 the increase will be small, and during the five years of the new scheme the total addition is to be only 50,000 tons. The chief increases have been given to the Dutch East Indies and Ceylon. Under a 50 per cent. restriction we estimate shipments during 1939 and during the first quarter to be as follows:—

BASIC EXPORT QUOTAS		
	Whole Year 1939 Tons	January-March 50% Tons
Straits Settlements, F.M.S., U.M.S., and		
Brunei	632,000	79,000
Netherlands Indies	631,500	78,937
Ceylon	106,000	13,250
India	17,500	2,188
Burma	13,500	1,687
State of North Borneo	21,000	2,625
Sarawak	43,000	5,375
Siam	54,500	10,250
French Indo-China (estimated shipment)	...	15,000
Rest of the World	...	7,000

Shipments during 1938 from the quota countries exceeded their permissible amounts in many cases. The excess was 22,300 tons and total shipments amounted to 888,600 tons.

STOCKS AT THE END OF THE LAST THREE YEARS
(In tons)

	Dec. 31, 1936	Dec. 31, 1937	Dec. 31, 1938
Stock in America	223,000	262,204	245,413
Stock in United Kingdom	78,462	57,785	86,853
Dealers' stocks in Singapore, Penang, etc.	18,017	32,582	20,932
Port stocks in Singapore and Penang	8,952	12,210	6,152
Stocks in Province Wellesley, Labuan and Malacca	3,288	5,203	2,655
Dealers' stocks up-country	5,839	16,043	7,475
Stocks on Estates of 100 acres and over	26,044	24,488	47,670
Total	363,576	410,515	417,150

The total planted areas of the territories which are members of the new International Rubber Regulation Scheme are as follows:—

AREA UNDER RUBBER (in acres)	
Straits Settlements, F.M.S., U.M.S., and Brunei	3,273,100
Netherlands Indies	3,214,900
Ceylon	605,200
French Indo-China	314,200
India	128,000
Burma	104,000
State of North Borneo	126,000
Sarawak	228,000
Siam	312,000

The new scheme gives the right to plant up during 1939 and 1940 another 5 per cent. of the total acreage planted. It is also permissible to replant old areas, but without the former 20 per cent. limit. Many directors of estates consider this new planting unnecessary and recent planting has probably been of high-yielding clones whose output will be greater than that of old planted areas.

Consumption declined by 185,000 tons from the peak figure of 1,094,000 tons in 1937 to 909,000 tons in 1938, chiefly due to the reduced demand from the United States. The principal countries' consumption is shown in the following table:—

CONSUMPTION OF RUBBER (PARTLY ESTIMATED)
(In tons)

	1936	1937	1938		1936	1937	1938
America	575,000	543,600	411,000	Japan	61,700	62,200	45,000
U.K.	99,700	114,600	107,000	Russia*	31,000	30,500	26,000
France	56,800	60,000	58,000	Australia	14,000	19,300	13,000
Germany	71,800	98,200	90,000	Italy	16,000	24,000	28,000
Belgium	9,600	15,000	11,000	Other countries	73,900	90,000	94,000
Canada	27,900	36,100	26,000	World	1038000	1093500	909,000

* These are Russian figures for deliveries from warehouses.

Price fluctuations during the year were moderate, but the average price for 1938 was 7½d. per lb. against 9½d. in 1937. The market opened the year with the price of standard spot sheets at 6½d. per lb., advanced to 7½d. by the end of January, but dropped to 6½d. by the middle of March, when the failure and consequent liquidation of stocks of a Japanese house made prices fall rapidly, and on the last day of March the price reached the lowest point of the year at 5½d. per lb. The I.R.R.C.'s decision in May to reduce the exportable quota to 45 per cent. for the third quarter caused prices to rise and the year's highest point was reached on October 14th at 8½d. per lb. In November the market declined on the announcement of a 50 per cent. quota for January-March, 1939. Also it was felt that if American consumption was good there might be further increases in February for the second or third quarters which would prevent prices rising. There has been little interest in the market since November.

Copper

The following survey of the copper market is based on the annual review by Messrs Brandeis, Goldschmidt and Company, Ltd.:—

The severe fall in copper prices which occurred in the latter half of 1937 was continued into 1938, despite the renewed restriction of mine output from December, 1937. In May, 1938, the price of spot standard reached £32 10s. per ton and from July 1st the operative quota was reduced from 105 per cent. of the basic tonnages to 95 per cent.; during the summer price movements remained small until the threats of a European war sent the price up to the year's highest point of £48 6s. 2d. per ton on October 17th. The rise in prices was swiftly followed by the suspension of output restriction, but with the lessening in political tension demand again declined, and the price of standard cash closed the year at £45 per ton. Restriction of output was again imposed on December 15th, at 105 per cent. of the basic tonnages, and this level was reduced to 100 per cent. on January 1, 1939.

The main reason for the weakness in copper prices was the steady decline in American copper consumption, from a monthly rate of 75,000 long tons in the first six months of 1937 to about 24,300 tons per month in the first half of 1938. During the autumn the expansion in business activity in the United States led to an increase in the consumption of copper, which reached 58,300 tons per month in the last quarter of the year. The fall in demand in the early months led to a general decline in output from American mines, which did not, however, keep pace with the decline in consumption; stocks in America rose from 260,000 tons at the end of 1937 to 370,000 tons at the end of June, 1938, in spite of a large increase in exports of refined copper, from 263,700 tons in 1937 to 332,900 tons in 1938.

World consumption in countries other than the United States increased further in 1938, as is shown in the accompanying table, taken from the annual review of the metal markets by Messrs Brandeis, Goldschmidt and Company, Ltd. The expansion in German, Italian and Japanese imports is a reflection partly of the increased armament production in those countries and partly of an increase in home reserves; in the United Kingdom and France the fall in industrial demand during the early part of the year more than counterbalanced the growing need of copper in the armament trades.

World mine output of copper fell from about 2.2 million

New Editions of

HARTLEY WITHERS'

famous works

THE MEANING OF MONEY. "A classic and a model of the way to explain a complicated subject simply but without sacrifice of accuracy."—*Financial Times*. 6th Revised Edition. 6s.

STOCKS AND SHARES. "Rightly established as a classic."—*The Economist*. "Amongst the best guides to investment practice."—*The Sunday Times*. With a new Preface and an Additional Chapter. 3rd Edition. 12th Impression. 6s.

Other Works by Hartley Withers

MONEY CHANGING. 8th Impression. 6s.

WAR TIME FINANCIAL PROBLEMS. 2nd Impression. 6s.

BUSINESS OF FINANCE. 4th Impression. 6s.

INTERNATIONAL FINANCE. 4th Impression. 6s.

WAR AND LOMBARD STREET. 5th Impression. 6s.

POVERTY AND WASTE. 2nd Revised Edition. 6s.

OUR MONEY AND THE STATE. 3rd Impression. 5s.

LOMBARD STREET. A description of the Money Market. By WALTER BAGEHOT. Edited by Hartley Withers. 14th Edition. 21st Impression. 6s.

THE SYSTEM OF NATIONAL FINANCE. By SIR E. HILTON YOUNG (LORD KENNET). "We do not remember to have seen before any book which gives so clear, so concise and so correct an account of the procedure by which the finances of the United Kingdom are managed."—*Times*. 3rd Revised Edition. 7s. 6d.

★ All prices are net.

JOHN MURRAY

tons in 1937 to a little less than 2 million tons in 1938. This fall was the net result of the smaller output of American producers, and of the mines within the restriction scheme, and of a somewhat larger production in Canada and other countries, of which Cuba, Newfoundland, Finland and Cyprus are the most important. A further increase in 1939 in the Canadian and Rhodesian output is quite probable.

PRODUCTION, CONSUMPTION, STOCKS AND PRICES OF COPPER
(In thousands of long tons)

	1928-29	1935	1936	1937	1938*
Mining Production					
United States.....	855	340	550	750	510
Chile.....	295	270	250	405	340
Canada.....	109	185	185	235	260
Northern Rhodesia.....	5	145	140	210	205
Belgian Congo.....	125	105	95	150	125
Other countries.....	430	395	435	490	540
Total.....	1,810	1,440	1,655	2,240	1,980
Consumption					
United States.....	1,000	470	720	785	510
Germany.....	250	290	285	340	450
Great Britain.....	155	245	305	335	310
France.....	135	110	110	115	100
Italy.....	75	80	95	90	95
Japan.....	80	130	125	190	240
Other countries.....	245	330	400	485	600
Total.....	1,940	1,655	2,040	2,340	2,210
Stocks, end of year in					
United States.....	...	205	145	230	280
Other countries.....	...	225	170	189	147
Average Price					
Standard cash London, per long ton.....	£ s. d. 75 9 7	£ s. d. 31 18 2	£ s. d. 38 9 7	£ s. d. 54 10 0	£ s. d. 41 0 0

* Estimated.

According to Messrs Brandeis, Goldschmidt and Company, Ltd., one of the features of 1938 was the very high margin between the prices of standard and electro copper. Owing to the restrictions on the export of refined copper from Germany and the still relatively small tonnages of electro produced in Rhodesia, the determining factor has been the refining cost in the United States. The fall in the pound and the keen demand for prompt copper kept the sterling prices high, but it is expected that in 1939 some of the accumulated stocks of refined copper will be put on to the market.

Lead

We take the following account of the lead market in 1938 from the annual review by Messrs Brandeis, Goldschmidt and Company, Ltd.:—

The boom in lead which took place in the early part of 1937 was followed by a severe reaction, which had not spent its force at the end of that year. There was, therefore, little prospect of a recovery in price in the early part of 1938, and it was feared that there might be a further sharp fall in spite of the good European consumption. This, in fact, did occur, and on June 9th a quotation of £13 5s. per ton was reached for September shipment, which proved to be the lowest of the year. From that point there was a moderate recovery, and at the close of the year the price was about £15 10s. for forward shipment.

Taking the world as a whole, the figures for production and consumption showed a decline in accordance with the general shrinkage of world trade, but it is interesting to note that the whole falling off was accounted for by the decline in the United States of America, the rest of the world actually showing an increase in the aggregate.

In the United States of America, production was no less than 100,000 short tons lower than in 1937, and the decline in consumption was even greater. Stocks rose steadily during the first half of the year, and the price, as quoted by the American Smelting and Refining Company, fell to 4 cents per lb. at the end of May. In July, however, the accumulations began to shrink, and for the rest of the year the movement in stocks was downwards, the figure at the end of December being actually lower than it had been a year previously. The price moved in accordance with this trend and closed at 4.85 cents per lb., which had been the ruling price at the beginning of the year. Had it not been for the sentimental effect of the reduction in the United States zinc price after the conclusion of the Canadian/American Trade Agreement, the price of lead at the end of the year would probably have been higher.

The position in the world outside the United States of America showed a remarkable improvement in demand, especially during the second half of the year. There was a heavy increase in European buying before and during the September crisis, and although this ceased in the last months of the year, the apparent consumption of some European countries showed an increase over 1937. In France consumption was lower, but this was to be expected in view of the economic adjustments which have been taking place in that country.

The lead consumption of Great Britain showed a heavy increase, the apparent consumption amounting to over 380,000 tons. There was probably a good deal of restocking by works, who found they could buy more than twice the tonnage of lead in 1938 for the same money that it cost in 1937, and who for that reason had had to reduce their holdings previously; it is also likely that the tonnages bought for armament purposes were greater than those consumed. Nevertheless, it was expected that the steady decline in the value of building plans passed would have caused a fall in the industrial demand for lead, but so far the use of lead in the building trades has been well maintained.

PRODUCTION, CONSUMPTION, STOCKS AND PRICES OF LEAD
(in thousands of long tons)

	1928-9	1935	1936	1937	1938*
Production					
United States.....	600	330	380	420	320
Mexico.....	240	185	210	220	220
Australia.....	170	215	195	225	225
Canada.....	145	150	165	185	185
Germany.....	125	120	140	160	170
Other countries.....	405	400	395	460	505
Total.....	1,685	1,400	1,465	1,670	1,625
Consumption					
United States.....	650	350	435	500	380
Great Britain.....	260	325	345	340	375
Germany.....	210	170	200	230	225
France.....	105	85	90	100	85
Japan.....	65	100	105	120	120
Other countries.....	365	370	380	380	470
Total.....	1,655	1,400	1,555	1,720	1,655
Stocks, end of year in					
United States.....	...	198	153	115	103
United Kingdom.....	...	7	6	7	11
Average Price					
London cash per ton.....	£ s. d. 22 6 0	£ s. d. 14 5 0	£ s. d. 17 12 0	£ s. d. 23 6 0	£ s. d. 15 5 0

* Estimated.

Production of lead in the countries outside the United States of America has shown relatively little alteration compared with 1937. The figures for Australia and Canada are virtually unchanged, and whilst certain mines, such as that of the Sulphide Corporation in Australia, are nearing exhaustion, the tonnages will doubtless be made up from other sources in years to come. In Mexico, labour difficulties have not seriously affected output, and as prices have fallen richer grades of ore have been treated. The output from Germany and from some of the smaller mines on the American continent has increased, and in France there has been no falling off, thanks to the extra subsidy which the Government has provided.

In September an agreement was concluded between the larger producers of lead outside the United States of America to form a Lead Producers' Association, with the object of adjusting the supply to demand. Whilst the United States of America is not within the scheme, the leading Australian, Canadian and Mexican producers, and those in Burma and Jugo-Slavia, are co-operating, which should ensure that it is effective. It may be assumed that the price of £15 per ton which prevailed at the end of 1938 is somewhat below the level with which the producers will feel satisfied, but the first objective of the Association will be to reduce production in order to establish a reasonable equilibrium between supply and demand. The present level of stocks is probably in accordance with the volume of demand, and so long as there is no further increase, producers should be satisfied.

The outlook for 1939 is not unfavourable, though some of the prospects may have already been discounted. Consumption in Great Britain may possibly continue at its present very high level, but in the long run a good deal of secondary lead must reappear and reduce the demand for virgin metal. In the United States of America, on the other hand, most of the secondary stocks have been absorbed, due to the low level of domestic production, so that a higher demand should soon become evident.

Spelter

THE speculative activity of 1937 and the wide variations in price gave way in the latter months of the year to more normal conditions. The price of spelter on the London market fell continuously from March to November, 1937, and the decline was continued, though at a far slower rate throughout the first half of 1938. The lowest price of £12 3s. 9d. per ton for September shipment was reached early in June; the political crisis in the early autumn brought a short-lived flurry, but the year closed at a price of £14 per ton. The large premiums paid in 1937 for high-grade metal again reverted in 1938 to the normal level, owing to the decline in demand, which in 1937 exceeded for a time the available refining capacity.

Developments in the lead industry in 1938 are summarised in the following extract from the annual review by

Messrs Brandeis, Goldschmidt and Company, Limited:—

Producers, who had had one good year after many lean ones, again found their profits diminishing. Even in the United States, where consumption in 1937 had beaten all previous records, the expectation of a demand at least as great as in 1936 was by no means fulfilled, and stocks showed a heavy increase. Between January and July the United States stocks had more than doubled, although later there was a considerable improvement in consumption and about one-third of the increase disappeared. A large part of the earlier increase in stocks, both in the United States and in the United Kingdom, was due to the depression in the galvanised sheet trade in both countries.

Generally speaking, the production of spelter in the world is adequate to meet all demands. At the moment consumption has not increased sufficiently to absorb the supplies of spelter resulting from the improved flotation of lead-zinc, copper-zinc, and other complex ores; the relationship between the value of such concentrates and the cost of shipping from the mine to the treatment point or to the market is too great to allow all the available production to be treated. So long, therefore, as prices remain low, the supply of concentrates will remain in the producers' hands and be kept off the market altogether. In fact, the tendency at present is for supplies to diminish, and a considerable improvement in the price would be necessary to reverse it.

Towards the end of the year the conclusion of an agreement between the larger producers of lead outside the United States automatically helped the spelter market. Considerable supplies of zinc ores and residues originate in the treatment of lead and silver, and a lowering of the production of either of these two metals always affects the output of spelter to some extent. A factor which should also make for a greater stability in the market is the reduction by 20 per cent. (from 1.75 cents to 1.40 cents per lb.) in the duty on Canadian zinc entering the United States. This reduction was embodied in the American-Canadian Trade Agreement in November, 1938, which came into force on January 1, 1939. A similar reduction of 20 per cent. in the duty on the zinc content of ores and residues entering the United States has also been made, so that there should now be adequate refining capacity both in Europe and on the continent of America to meet all normal demands. It should perhaps be mentioned that under the "most favoured nation" clause many other countries can export metal or ores to the United States on the same terms as Canada.

Mention must also be made of the question of the import duty on zinc of non-Empire origin entering the United Kingdom. Under the Ottawa Agreements, zinc of Empire origin re-

ceived a 10 per cent. preference in the United Kingdom market, and later this was altered to a fixed duty of 12s. 6d. per ton on foreign metal with free entry for Empire metal. Certain interests have urged that special protection should be given to the home

PRODUCTION, CONSUMPTION, STOCKS AND PRICES OF SPELTER
(in thousands of long tons)

	1928-29	1935	1936	1937	1938*
Production					
United States.....	560	385	465	530	400
Canada.....	75	135	135	140	150
Germany and Poland.....	261	205	225	265	285
Belgium.....	201	180	200	225	205
United Kingdom.....	55	60	65	85	55
Other countries.....	272	360	380	415	390
Total.....	1,424	1,325	1,470	1,640	1,485
Consumption					
United States.....	535	420	510	540	360
United Kingdom.....	185	195	220	230	220
Germany.....	200	195	205	230	250
Belgium.....	120	100	110	100	85
France.....	120	85	85	90	80
Other countries.....	275	335	370	410	425
Total.....	1,435	1,330	1,500	1,600	1,420
Stocks end of year in					
United States.....	...	74.8	40.1	58.4	113.0
United Kingdom.....	...	8.1	17.4	20.2	25.4
Average Price					
London "Ordinary" per long ton.....	£ s. d. 25 1 6	£ s. d. 14 1 8	£ s. d. 14 8 5	£ s. d. 22 6 10	£ s. d. 14 0 0

* Estimated.

industry in the form of an increase in the duty on foreign metal and a corresponding subsidy from the Empire producers who would benefit by the increased duty. The matter is still being considered by the Import Duties Advisory Committee, but if a change is to be made it is to be hoped that it will be of a general and not of a particular nature, so that other potential producers will be encouraged to put up works here rather than on the Continent.

Whilst the immediate prospects for 1939 do not appear too bright, there are two facts which are encouraging. Firstly, the price level is very low, and will itself cause a reduction in output, and, secondly, any agreement to curtail production would favourably affect the price almost at once.

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

Trading Abroad

Few traders can remain unaffected to-day by the constantly changing restrictions now adopted by so many countries abroad in the settlement of international indebtedness. The Westminster Bank has therefore created a central Exchange Restrictions Department, from which any Branch may obtain at short notice the latest information for the benefit of a customer trading overseas

Westminster Bank
LIMITED

Head Office: 41 Lothbury, E.C.2

Tin

MESSRS BRANDEIS, GOLDSCHMIDT AND COMPANY, LTD., summarise the tin market in 1938 in the following paragraphs of their annual review:—

Throughout the year the market has been under the influence both of the decline in world demand and of the negotiations connected with the formation of the buffer pool, the ultimate completion of which provided a bullish feature. The price of standard tin opened the year at about £182 per ton, and it remained around that level until the middle of February, with the quotas at 70 per cent. Following the reduction to 55 per cent. for the second quarter, there was a small advance, but controversy regarding the buffer pool proposals caused a sudden drop in the price at the beginning of April to £165 per ton. In May a further fall took place to £152 10s. per ton (three months) which was the lowest price of the year. Not until the end of May, when the outcome of the referendum in Malaya was known to be favourable and quotas had been cut to 45 per cent., was confidence restored. At the end of June it was announced that the buffer stock scheme would be put into operation as from July 1st, and this caused a big jump in the price to nearly £194 per ton. Whilst previously a level of £200 had been mentioned, the buffer pool made this figure the lower limit, and £230 was given as the higher one. The highest price of the year was £218 5s. reached on December 30th, so that the market closed the year in sight of the pool's objective.

According to the statistics of the International Tin Committee (from which the tables here given have been compiled) the production of tin in 1938 amounted to about 145,000 tons, whilst apparent consumption was rather higher.

PRODUCTION, CONSUMPTION, STOCKS AND PRICES OF TIN
(in thousands of long tons)

	1929	1935	1936	1937	1938*
Production					
Bolivia.....	46.3	27.2	24.1	25.0	25.4
Malaya.....	69.4	46.0	66.8	77.5	43.2
Dutch E. Indies.....	35.7	24.7	31.7	39.8	21.0
Nigeria.....	10.7	7.0	9.6	10.5	7.3
Siam.....	9.8	9.8	12.7	16.5	13.5
Other countries.....	14.9	31.6	35.2	39.0	36.8
Total	187.0	146.3	180.1	208.3	147.2
Consumption					
United States.....	87.6	62.5	73.0	86.7	50.7
United Kingdom.....	24.2	21.4	21.9	26.0	18.3
Germany.....	16.0	10.4	8.5	11.7	14.0
All countries	178.0	148.7	159.8	198.7	151.6
Stocks					
Visible supply and carry over, end of year.....	27.5	13.8	22.7	25.7	29.5
Average Price					
Cash in London p. l. ton	£ s. 203 18	£ s. 224 18	£ s. 204 12	£ s. 242 6	£ s. 189 12

* Provisional.

It will be seen from the production table that almost the entire reduction in 1938 was at the expense of the participants in the scheme, whilst the unrestricted countries did not reduce their production at all. This would not have been the case at less remunerative price levels. It is estimated that despite the hostilities in the Far East, actual production in China will not yet have been severely affected, although there may have been some difficulty in exporting metal in the last few months of the year. One may assume that the unrestricted producers contributed about 25,000 tons, or approximately the same as in 1937. This compares with a yearly quota rate of about 100,000 tons for the restricted producers if the rate of 45 per cent., which prevailed for the last six months of 1938 and the first three of 1939, were to remain in force for a full year.

So far as consumption is concerned, there have also been great changes in the proportions taken by various countries pared with 1937. The largest individual decrease was in the United States, which took about 35,000 tons less than in the previous year, though undoubtedly some of the invisible stocks were consumed. In the United Kingdom there was also a big decline, the bulk of which must be attributed to a reduced production of tinplates. Countries which imported more tin than in 1937 were principally Japan and Germany, but it is impossible to estimate to what extent these imports represent an adjustment of the invisible stock position. Russian imports were lower, and no doubt some of the heavy stocks previously accumulated were absorbed. Towards the close of the year the tinplate industry in the United States began to show a very welcome upward tendency, and in 1939 this should continue and be reflected in increased United States consumption.

World stocks of tin can be considered reasonable, but, in contrast to 1937, almost half of the visible stocks are now in the United Kingdom or in the British Empire. About the same proportion of the stocks has had to be made available

for the London Standard Market under the buffer pool scheme. This has meant that foreign producers have had to exchange their metal for standard tin warrants, or arrange to make shipments to London if called upon, whilst producers in the Straits and the United Kingdom have had to earmark stocks in their works for the same purpose. This situation is satisfactory from the point of view of the defence of Great Britain but it is doubtful whether consumers in the United States, who in any case are none too well stocked, will look upon it as a safeguard in a rising market.

In considering the prospects for 1939 it is important to remember that the available supplies of tin outside the buffer pool are too small for normal world requirements, and, as consumption may soon be expected to improve, the liquidation of the pool should be possible, even at £230. There is, of course, the danger that when this price is reached the market will be allowed to advance still higher, but if this can be avoided both producers and consumers should be satisfied. If, however, consumption should fall severely during 1939, the liquidation of the buffer stock would become much more difficult, and might entail the reduction of production quotas to a level which would make some of the members of the scheme reluctant to continue their adherence.

Cotton

THE following table, compiled from the issue of *Cotton Statistics* for January, 1939, shows that world production of cotton in 1937-38 was considerably greater than in 1936-37, but such estimates as are available for 1938-39 show a substantial decrease from the previous year:—

WORLD'S COTTON CROP
(Thous. bales of 500 lbs.)

Country	1933-34	1934-35	1935-36	1936-37	1937-38	Estimates 1938-39
United States Lint.....	13,047	9,637	10,638	12,399	18,946	12,008
Linters ..	982	1,001	1,089	1,407	1,819	1,500
Total	14,029	10,638	11,727	13,806	20,765	13,508
Mexico.....	255	223	251	373	340	225
Brazil.....	1,014	1,359	1,765	1,817	2,282	2,000
Peru.....	278	342	380	374	424	...
Argentina.....	191	295	354	144	207	...
Other South American	75	75	86	127	129	...
India*.....	5,108	4,857	5,933	6,317	5,663†	...
China.....	2,673	3,078	2,410	3,741	3,063	2,000
Japan, Korea, etc.....	207	223	245	226	300	280
East Indies, etc.....	16	15	14	17	17	...
U.S.S.R.....	1,844	1,772	2,313	3,550	3,700	3,500
Persia.....	159	200	125	161	150	...
Iraq, Ceylon, etc.....	†	2	4	8	16	...
Asia Minor and Europe	190	246	382	345	388	...
Egypt.....	1,715	1,511	1,707	1,821	2,202	1,470
Sudan.....	126	237	199	286	255	...
East Africa (British) ...	274	273	335	349	392	...
South Africa (British) ...	3	3	2	3	2	...
West Africa (British) ...	23	47	48	39	23	...
Non-British Africa.....	149	170	223	268	275	...
West Indies (British) ...	3	4	4	4	4	...
West Indies (Others) ...	24	31	25	25	20	...
Australia, etc.....	18	14	14	9	12	...
World's total	28,374	25,611	28,546	33,787	40,649	...
World (excl. United States).....	14,345	14,973	16,819	19,981	19,884	...
Per cent. of total.....	50.6	58.5	58.9	59.1	48.9	...

* Government estimate, 400 lb. bales.
† Ex Burma.

† Less than 500 bales.

The increase in world production was chiefly due to the larger crop in the United States, total output in other countries having declined slightly from 19,981,000 bales in 1936-37 to 19,884,000 bales in 1937-38. The next table shows world consumption of raw cotton by varieties, as compiled by the International Federation of Master Cotton Spinners' and Manufacturers' Associations, and changes in stocks at the end of the season in recent years:—

WORLD CONSUMPTION AND STOCKS OF COTTON
(Thous. running bales, excluding linters)

Season ended July 31st	Consumption					World Stocks, July 31st
	American	Indian	Egyptian	Other Varieties	Total	
1931.....	10,901	5,863	853	4,864	23,195	10,906
1932.....	12,316	4,788	980	4,235	22,319	12,144
1933.....	14,171	4,220	934	5,028	24,353	12,560
1934.....	13,534	4,772	1,108	5,097	24,511	11,980
1935*.....	11,354	5,772	1,195	7,480	25,801	8,541
1936†.....	12,718	5,650	1,178	7,826	27,371	8,766
1937†.....	13,282	6,022	1,273	9,146	29,723	9,649
1938.....	10,896	5,867	1,188	8,142	26,093	12,079

* No returns from Germany. † No returns from Germany or Italy.
‡ No returns from Italy.

It will be seen that consumption of all varieties has declined, total consumption in 1938 being 12 per cent. smaller

than in 1937, while stocks during the same period increased by 25 per cent.

The fluctuations of Liverpool prices are shown below:—

AVERAGE PRICE OF RAW COTTON, LIVERPOOL
(Pence per lb.)

Season ended July 31st—	American Middling	Egyptian Sakellaridis
1929.....	5.71	18.14
1931.....	5.71	9.04
1932.....	4.81	6.78
1933.....	5.62	7.79
1934.....	6.02	8.05
1935.....	6.92	8.44
1936.....	6.50	9.20
1937.....	7.11	10.81
1938.....	7.87	8.73
1937—March.....	7.06	10.54
June.....	5.36	8.78
September.....	4.78	8.10
December.....	5.07	8.37
1938—March.....	4.62	7.47
June.....	4.79	7.96
September.....	5.11	7.63
December.....	5.11	7.63

The distribution of British imports of raw cotton by quantity and value in recent years is shown in the next table:—

BRITISH IMPORTS OF RAW COTTON
(Excluding linters)

Country	Quantity			Value		
	1936	1937	1938	1936	1937	1938
Of 1½ in. staple and over:—						
From:—						
Anglo-Egyptian	577,854	608,814	697,618	2,431,107	2,580,859	2,182,375
Sudan.....	9,213	13,448	17,235	71,149	123,073	137,459
British West India Islands.....	202	114	742	1,110	1,022	3,197
Other British countries.....	1,631,197	1,297,075	1,051,174	5,882,734	4,774,398	3,190,986
Egypt.....	74,690	93,260	72,205	271,840	341,237	213,782
Peru.....	3,870	8,162	22,496	14,203	33,181	55,947
Other foreign countries.....	2,297,026	2,020,873	1,861,470	8,672,143	7,853,770	5,783,746
Total	2,297,026	2,020,873	1,861,470	8,672,143	7,853,770	5,783,746
Under 1½ in. staple and over ½ in. staple:—						
From:—						
British W. Africa	110,711	163,480	94,614	314,850	487,187	201,869
British E. Africa	235,642	123,693	166,390	641,661	355,825	386,900
British India A.	1,096,739	927,373	675,218	2,450,087	2,199,422	1,356,216
Other British countries.....	238,225	198,170	152,162	755,525	669,795	396,018
Egypt.....	1,193,650	1,610,260	1,529,912	3,818,507	5,081,686	4,136,341
U.S.A.....	6,010,618	7,466,519	4,339,231	16,394,198	19,183,719	9,257,824
Peru.....	713,385	835,604	789,685	2,362,587	2,795,188	2,232,651
Brazil.....	1,466,148	1,076,851	1,056,884	3,871,432	2,793,970	2,114,226
Argentina.....	440,134	184,220	20,162	1,247,135	560,152	42,241
Other foreign countries.....	243,072	423,439	209,748	680,538	1,193,631	427,455
Total	11,748,324	13,009,609	9,034,006	32,536,520	35,320,575	20,551,741
Of ½ in. staple and under:—						
From:—						
British India ...	1,230,176	1,380,643	1,067,640	2,549,422	3,189,433	1,834,691
Other British countries.....	1,273	1,155	3,854	2,640	2,158	9,813
U.S.A.....	167,932	184,367	98,169	447,105	453,475	187,412
Other foreign countries.....	17,094	4,454	7,101	30,576	9,957	12,426
Total	1,416,475	1,570,619	1,176,764	3,029,743	3,655,023	2,044,342
Grand Total*	15,461,825	16,601,101	12,072,240	44,228,406	46,829,368	28,379,829

* Total British imports of raw cotton in 1913: quantity, 21,742,996 cents; value £70,570,547.

The volume of total imports of cotton in 1938 was 27 per cent. smaller than in 1937, while during the same period the value of imports declined by 39½ per cent.

A survey of developments in raw cotton during 1938 is given in the following summary from Mr F. W. Tattersall's *Cotton Trade Review* of December 31, 1938:—

On January 4, 1938, the quotation for Middling American cotton on the spot in Liverpool was 4.83d. The average price during the year was 4.93d. per lb., compared with 6.34d. per lb. in 1937; the lowest quotation was 4.20d. on May 31st, and the highest 5.27d. on December 29th. The year closed with the figure at 5.25d. The American crop for 1937-38 reached the record total of 18,946,000 bales, compared with 12,399,000 bales in 1936-37. Owing to the large supplies of raw material the United States Government decided substantially to reduce the area under cultivation in the current season. Conditions in the growing belt were not so favourable as in 1937, but the plants made good progress, and according to latest Government estimates the crop is likely to be about 12,000,000 bales. The Government has granted a further loan to farmers and now holds a very large amount of American cotton. Government policy has made American cotton relatively dear compared with other varieties and exports between July and December, 1938, were about 1,600,000 bales less than in the corresponding period of 1937. Many proposals have recently been made whereby the Government could move its large

holdings into consuming channels and some changes are expected in the farm programme for next season. World consumption of American cotton during the current twelve months is estimated at about 10 million bales, which would leave a carry-over of nearly 15 million bales at the end of the season.

The price of Fully Good Fair Upper Egyptian cotton on the spot in Liverpool on January 4, 1938, was 7.44d. Like American cotton, this variety was a little dearer at the end of the year, closing at 7.51d. per lb. on December 30th. The lowest price during the year was reached on June 14th, at 6.54d., and the highest on October 26th at 8.46d. per lb. The growth of Egyptian cotton during 1938 was much smaller than in the previous year, partly owing to the reduction in the area under cultivation and partly owing to unfavourable weather conditions which resulted in a smaller crop. This season's growth of Egyptian cotton is estimated at about 7,000,000 cantars. The carry-over of all kinds of cotton next July is expected to be about 26.5 million bales.

Silk

SUPPLIES of raw silk, which showed a substantial increase in the 1936-37 season, declined in 1937-38, and estimates for 1938-39 suggest that this tendency will continue. The following table, based on the estimates of Messrs Morel-Journal and Company, shows that the reduction was general, and in the case of exports from Shanghai large, but suggests an increase in the Levant crop in the current season:—

WORLD SUPPLY OF RAW SILK
(In metric tons)

Season ended June 30th	1913-14	1934-35	1935-36	1936-37	1937-38	1938-39*
Export from Shanghai (including Tussah)...	5,800	1,447	3,388	3,096	1,148	1,110
Do. Canton.....	2,780	1,395	1,035	1,138	1,218	1,000
Do. Japan.....	12,120	31,275	28,833	31,313	27,313	26,500
Do. Persia and Central Asia.....	435	150	...	...	...	...
Do. India and Indo-China.....	115	2,942	1,686	3,193	2,971	1,840
European crop.....	4,235	780	672	725	774	1,005
Levant crop.....	1,880	...	...	...	...	...
Total	27,365	37,989	37,273	41,365	35,519	33,890

* Estimates.

The NATIONAL MUTUAL LIFE ASSOCIATION OF AUSTRALASIA, Ltd.

ESTABLISHED 1869

Funds £45,000,000 Annual Income £5,500,000

LOW PREMIUMS — LIBERAL CONDITIONS — LARGE BONUSES

Revised Rates and New Tables

FLEXIBLE POLICY A Whole Life Assurance guaranteeing Conversion to Endowment Assurance at the LOWEST OBTAINABLE RATES OF PREMIUM.

WITHOUT PROFIT ASSURANCES At competitive rates of Premium.

DEFERRED ANNUITIES } The rates have been revised and are very attractive.
IMMEDIATE ANNUITIES }

THE MARRIAGE OPTION POLICY An entirely new and ideal Policy for the single man, giving the right to increased Life Assurance cover on marriage, without increase of premium or further evidence of health.

Descriptive leaflets will be forwarded on application

Head Offices for Great Britain and Ireland

5 CHEAPSIDE, LONDON, E.C.2

The following account of the silk market in 1938 is a summary of Messrs Morel-Journal and Company's annual review:—

The silk market became healthier during the year. There were no speculative positions at the beginning, and the general shortage in the cocoon crops helped to balance production and consumption. As a result, prices were strong enough to resist outside influences, and are now higher than a year ago. This firmness in prices encouraged the industries using silk as a raw material. In the United States, monthly consumption, after declining in 1937, gradually increased, and total consumption in 1938 will probably be almost as high as in 1937. Italy remained out of the raw silk trade; imports of foreign silk were prohibited and a special bonus given to help export surplus Italian production, most of which went to the United States and Germany.

In this country the silk industry continued to expand and imports of raw silk in 1938 were 11 per cent. higher than in the previous year. This was only partly offset by a decline in imports of cocoons and waste. The quotation for Japanese silk was 8s. to 8s. 6d. per lb. on December 28, 1938, compared with 6s. 6d. to 7s. 3d. per lb. on December 29, 1937.

Wool

A FURTHER increase in production over that of the record 1937-38 wool-selling season caused prices to continue the downward movement which set in during the later months of 1937. There was some improvement towards the end of the year, but at the end of the season the index of raw wool prices, compiled by the *Weekly Wool Chart*, had fallen from 113 for 1937 to 89 for 1938.

The following table, compiled by the Imperial Economic Committee, gives figures of raw wool production in the leading export countries:—

Season	Production						Index of Wool Prices (July, 1914 = 100)
	Australia	Argentina	New Zealand	Union of S. Africa	United States	United Kingdom	
1930-31	913	361	259	300	435	111	3,812
1931-32	1,008	381	270	313	464	113	3,823
1932-33	1,063	390	277	329	441	119	3,823
1933-34	996	384	290	283	460	120	3,708
1934-35	1,015	370	265	219	451	115	3,621
1935-36	971	348	304	250	453	109	3,664
1936-37	983	366	304	277	449	108	3,786
1937-38	1,015	375	297	246	455	107	3,827
1938-39†	938	385	305	261	457	111	89

† The figures in this column refer to the earlier calendar year. ‡ Provisional.

The next table shows the substantial increase in the carry-forward of unsold wool in Australia, New Zealand and South Africa which resulted from the record production and reduced demand:—

	Australia (a)	Argentina (b)	New Zealand (a)	South Africa (a)
	In Store at Selling Centres	All Centres	All Centres	At Ports (unsold)
1934	65.0	41.9	26.0	23.0
1935	28.0	13.0	64.0	4.0
1936	23.2	22.0	17.0	7.0
1937	14.0	24.0	11.0	4.0
1938	71.0	34.0	24.0	8.0

(a) Season ended June 30th.

(b) Season ended September 30th.

The following table shows the changes in prices between the end of 1937 and 1938:—

In pence per lb. Fleece Wools	July, 1914	Dec. 5, 1928	Mar. 15, 1933	Dec. 2, 1936	Nov. 28, 1937	Dec. 7, 1938
70's super	d.	d.	d.	d.	d.	d.
64/67's good medium	30½	48	19½	34	27-28	25
60/64's good medium	30	43	18½	31	24-25	23
58/60's good medium	29	41	17	29	24	21½
56's fine crossbred	26	36	13½	25	20	19
50/56's fine crossbred	23½	33	12	20	*17-17½	*15½
46/50's crossbred	18	27	7½	19	16	14½
46's crossbred	17	25	6	18½	15½-16	14½
44's crossbred	16	24	5½	18	15	14½

* 50's fine.

† 48's.

‡ None offered.

Recent changes in the wool market are summarised in the following extract from the *Weekly Wool Chart*, dated December 29, 1938:—

Estimated production in the five principal exporting countries amounted to 2,049 million lb. in 1937-38, compared with 2,043 millions in 1936-37, and the previous record of 2,046 millions in 1933-34, and at the end of the season there was a substantial increase in stocks of unsold wool at the various sources of supply. At no time during the year, however, could stocks in the United Kingdom be regarded as excessive or even normal. The moderate stocks of medium and coarse crossbreds were depleted by Government orders. Prices for carpet wools were so low that Argentine growers held much of the clip off the market, and it was difficult to obtain supplies. A remarkable feature of the year's trade was the slight fluctuation in prices. The downward movement which began at the end of 1937 continued until February, but during the greater part of the year that proved to be a level below which prices could not be depressed however bad trade might be.

Mainly because of the reduced requirements of Japan and the United States, the total quantity of wool sold in Australia in 1937-38 was only 2,793,164 bales, compared with 2,924,053, bales in the previous season, and the other main producing countries reported similar substantial reductions in sales. During the later months of the year wool consumption in the United Kingdom improved, and at the end of the year the statistical position was satisfactory. Consumption during the year has not differed appreciably from production, as low prices have secured preferential use as against other textile fibres.

Other Textile Fibres

PRICES of fibres in the United Kingdom show considerable changes from a year ago, some qualities being dearer and some cheaper.

	Jan. 1, 1929	Jan. 1, 1935	Jan. 1, 1936	Jan. 1, 1937	Jan. 1, 1938	Jan. 2, 1939
Italian PC/SB..... per ton	£ 67 0	£ 61 10	£ 58 0	£ 69 5	£ 70 0	£ 73 0
Flax Livonian ZK.....	96 0	77 0	76 0	74 0	68 0	74 0
Soviet IV Group flax.....	82 0	89 0	82 0	78 0	78 0	96 0
Soviet III Group tow.....	75 0	80 0	75 0	71 0	71 0	77 0
Bombay hemp H.J.F.....	28 10	18 0	16 10	15 0	14 15	14 0
Bengal, Sunn, No. 2.....	34 0	21 0	22 0	20 0	23 0	18 15
Benares No. 2.....	23 0	13 10	18 0	14 5	13 5	12 10
Jute, Firsts.....	32 10	17 15	19 15	19 0	18 5	19 15
Manila K.....	13 0	23 5	34 5	25 5	25 5	19 10
New Zealand, Fair.....	34 10	15 0	20 15	24 10	22 10	17 10
African sisal, No. 1.....	42 0	15 0	28 10	29 0	20 5	16 15
Cebu maguay, No. 2.....	34 10	11 10	19 10	25 15	21 0	17 10
Mauritius hemp, Prime.....	39 10	22 0	22 10	22 0	21 10	18 0
Mexican henequen..... per lb.	6½c.	3c.	6½c.	Nominal	Nominal	Nominal

An account of developments in the fibre market, taken from the Annual Review of Messrs Wigglesworth and Company, Limited, is given below:—

Soft fibres continued to be subjected to Government control of supply and exports. Russia, whose flax crop is by far the largest, was not releasing sufficient for foreign requirements, and the Italian Government raised the price of hemp above the parity of competitive fibres so that exports were seriously curtailed. Consequently these fibres were out of relation with the hard fibre group, which was depressed throughout the year, resulting in an uneconomic price level. Readjustment of values is naturally slow in a crop which takes two or three years to mature, but it may now be expected.

Flax.—Except in the heavy end, which benefited from important Government contracts towards the close of the year, the British linen trade had to contend with adverse conditions throughout 1938. Exports declined, particularly to the United States, and import restrictions and exchange regulations added to the difficulties of manufacturers. Many mills closed down for an extended period at Easter, and production was on a reduced scale for the greater part of the year. French and Belgian mills were also working below capacity, and their exports suffered from the reduced demand in the United States and higher production costs. The year closed on a more hopeful tone. Trade with America is expected to increase as a result of the tariff concessions on linen goods granted under the Anglo-American Trade Agreement, and of the transfer of the linen manufacturing mills in the Sudeten area which will probably now be fully occupied supplying the German market. United Kingdom imports of flax and tow for the eleven months to November totalled 51,506 tons, compared with 49,744 for the same period in 1937. Exports of linen manufactures were 47,660,000 sq. yards, against 77,596,000 sq. yards in 1937, and were £1,471,915 lower in value. Exports to America fell by 60 per cent. Shipments of fine linens to China showed a slight increase towards the end of the year.

Early in the year prices advanced sharply upon reports from the Baltic States and Poland that supplies would be less than earlier estimates; IV group Slanetz advanced from an opening level of £78 to £85 in March, Livonian from £72 to £75, and Ralo tow No. 8 from £61 to £68 per ton. Trading

was dull in the summer, and despite large sales to Germany, Sweden and Finland, prices declined. From November to the end of the year prices rose steadily under the influence of large scale business in new crop Baltic flaxes and orders for yarn in Belfast and Scotland. Closing prices were:—IV group Slanetz £96, Livonian £80, and Ralo tow No. 8 £73 per ton. The year ended on a firm note with a shortage of supplies.

The entire lack of offers of new crop Soviet flax is a serious matter, for the trade counts on a regular supply of this type. The quality of the 1938 flax crops in the Baltic States was reported to be superior to that of previous years. The Latvian crop was estimated at 21,900 tons against 23,000 tons in 1937, with an exportable surplus of 12,000 tons. In Estonia about 6,000 tons were expected to be available. The acreage under flax in Ireland increased from 19,000 to 21,000 acres, but the yield is likely to be smaller. The Belgian crop was fairly satisfactory. In April the Government of Northern Ireland announced their decision to spend up to £150,000 over three years to stimulate flax production.

Indian Hemp (Bombay).—The market has been quiet but steady throughout 1938. There was some improvement over the poor quality of the previous season, and all descriptions have been in moderate supply, despite the smaller crops. Towards the close of the season the finer qualities were practically exhausted, and shippers ceased to offer. They have shown great resistance to price reductions. Prices for fine Itarsi, fine Sewnee and fine Jubbulpore at the highest point, during the autumn, were £19 10s., £16 10s., and £14 10s. per ton, respectively. The market at the year-end was influenced by speculative activities on the new crop position.

Jute.—In contrast to many other fibres, the price of jute maintained a fairly high level, the average for firsts being £18 12s. 6d. per ton, against £20 10s. in 1937 and £18 7s. 6d. in 1936. The Calcutta market was under the influence of unrestricted production, an obvious excess of raw material supplies and favourable reports of the new crop. Towards the end of this period the low point was recorded. An agreement was accepted by 98 per cent. of the mills which, under the threat of Government intervention, restricted working hours in Calcutta to 45 per week, but this failed to reduce stocks of manufactures. Damage by floods to the new crop reversed the price trend, and towards the year-end prices were steadier.

Manila Hemp.—The year opened with spasmodic demand insufficient to support existing prices, and sharp falls were experienced. Dull trading continued until March-April, when at a meeting called by the Fibre Inspection Service, planters resolved to curtail production to 1,100,000 bales per annum. In July the Philippine Government authorised the formation of the National Hemp Corporation, which, working with the National Warehousing Corporation, would hold surplus stocks of Manila off the market until K reached £25 per ton. Neither organisation has yet operated as supplies outside the Davao province have been curtailed naturally, and there is some shortage.

	1935	1936	1937	1938
Philippine manila.....	187,375	181,875	183,000	146,750
Philippine maguay.....	13,550	22,200	15,500	5,920
Mexican henequen.....	90,000	94,000	108,000	75,000
East African sisal.....	138,000	139,000	144,000	155,000
West African sisal.....	10,000	9,000	10,000	9,500
Java and Sumatra sisal and cantala	74,000	68,000	73,000	76,000
Do. Do. Abaca (manila)	5,000	5,000	7,000	7,000
West Indian sisal.....	11,000	12,000	15,000	15,000
New Zealand hemp and tow.....	4,500	6,500	7,500	4,000
Mauritius.....	600	600	500	250
	534,025	519,175	543,500	494,420

August proved the slowest trading period, but the September crisis brought in buyers. With the political settlement prices eased, but since then a slow recovery has taken place. Except where short supplies hampered negotiations, the fine and medium grades followed the course set by the lower qualities. A dominant factor has been the marked expansion in the use of Davao hemp. American activity fell short of expectations and imports were the lowest for many years. Japan also lost ground and took only half her 1936 tonnage.

The statistical position is sounder than present prices suggest. Supplies at 1,174,000 bales compare with 1,314,000 bales for 1937. Stocks commenced at 157,000 bales, accumulated to 243,000 bales in October and were 184,000 bales at the end of the year.

East African Sisal.—1938 has been disappointing to producers, quotations resulting in the unremunerative average price of about £17 15s. per ton for No. 1. The lowest price was reached in September, at £15 15s. per ton, and until the end of December the market was featureless, and the year closed with a flat market, No. 1 being quoted at £16 15s. Estates are generally sold well ahead, and stocks are low in both Africa and Europe. There have been a number of measures aiming at closer co-operation between Africa and London, and matters concerning quality, grading, packing and the promotion and protection of the industry.

Java and Sumatra Sisal.—Prices showed remarkable stability throughout the year, and exports are not expected to

show much change from those of 1937. Quality is standardised and maintained at a high level.

Mexican Henequen.—All official reports are withheld, and it is difficult to judge the situation. From unofficial sources it appears that receipts at Progreso coincide very closely with shipments, but to what extent stocks are accumulating inland is unknown. It is presumed that a good quantity is used locally.

The next table shows British imports of flax, hemp and jute in 1936, 1937 and 1938:—

Country	Quantity			Value		
	1936	1937	1938	1936	1937	1938
Flax:—	Tons	Tons	Tons	£	£	£
From:—						
British countries.....	1,170	1,038	755	74,779	74,132	53,217
Soviet Union.....	7,394	7,180	2,658	516,017	547,071	190,720
Latvia.....	12,984	6,892	8,727	717,144	441,301	535,513
Belgium.....	17,548	17,463	19,612	1,661,320	1,844,194	2,018,467
Other foreign countries.....	6,470	6,853	8,950	391,994	461,920	564,064
Total.....	45,566	39,426	40,702	3,361,254	3,368,618	3,361,981
Flax tow or cordilla:—						
From:—						
British countries.....	280	487	735	7,396	15,361	24,949
Soviet Union.....	13,279	9,269	3,353	736,532	598,053	184,558
Latvia.....	3,312	2,529	3,025	173,231	145,955	147,618
Other foreign countries.....	3,431	4,399	9,752	173,388	237,092	409,200
Total.....	20,282	16,684	16,865	1,090,547	997,361	766,825
Hemp, not further dressed after scutching or decorticating:—						
From:—						
British East Africa.....	30,693	28,217	25,185	771,453	750,989	489,343
Other British countries.....	11,977	16,190	9,112	215,580	303,094	158,193
Italy.....	295	2,083	1,520	19,258	133,844	102,761
Philippine Islands.....	39,336	43,308	37,031	991,250	1,427,122	863,520
Other foreign countries.....	8,697	8,145	7,122	362,783	337,175	257,326
Total.....	90,998	97,943	79,970	2,360,324	2,952,224	1,871,143
Hemp, further dressed, and hemp tow or cordilla.....	4,425	4,610	7,137	120,668	145,592	150,454
Jute, raw:—						
From:—						
British India.....	181,703	182,473	195,243	3,327,185	3,725,396	3,724,261
Other British countries.....	1	26	402	15	576	4,330
Foreign countries.....	1	106	402	576	1,571	4,330
Total.....	181,730	192,579	195,645	3,327,776	3,726,967	3,728,591



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 900 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, £127,064,000

(Incorporated in New South Wales with Limited Liability.)

Manufactures

Iron and Steel

THE iron and steel industry suffered a sharp recession in the past year, in spite of the drastic curtailment of imports. The output of pig iron in 1938, at 6,764,000 tons, was 20 per cent. smaller than in 1937, while the production of steel ingots and castings also fell by 20 per cent. to 10,394,000 tons. The fall in production, however, probably exaggerates the recession in consumption, for in 1937 heavy stocks were accumulated which were worked off in the past year.

Despite the severe fall in demand, however, the official prices were maintained at boom levels throughout 1938. The Board of Trade index of iron and steel prices actually rose from 129.6 (1930 = 100) in 1937 to 139.1 in 1938.

Further progress was made with reorganisation during the past year. The steel furnace capacity of the industry was increased from 14,281,000 tons per annum at the end of 1937 to 14,483,000 tons per annum at the end of 1938. No less than two-thirds of the blast-furnace capacity existing in the summer of 1936 has now been replaced by modern plant, and the annual pig-iron producing capacity was increased from 9,151,000 tons to 10,124,000 tons during this period. The year 1938 also witnessed the completion of the first continuous sheet mill in this country at Ebbw Vale.

Developments in the industry in recent years are summarised in the following tables:—

BRITISH IRON AND STEEL INDUSTRY

Year	Output (Thousand Tons)		Iron, Steel and Manufactures thereof (Thousand Tons)		Price of Cleveland G.M.B. No. 3 per ton	Unemployment		
	Pig Iron	Steel Ingots and Castings	Imports	Exports		Pig Iron	Steel	
1929 ...	7,589	9,636	2,822	4,390	s. d. 70 6	12.1	19.8	
1931 ...	3,773	5,203	2,845	1,979	58 7	39.3	45.9	
1932 ...	3,573	5,257	1,594	1,887	58 6	43.3	47.8	
1933 ...	4,136	7,024	1,221	1,922	62 6	37.6	38.0	
1934 ...	5,979	8,860	1,366	2,251	67 1	25.2	25.8	
1935 ...	6,425	9,589	1,152	2,372	67 8	21.0	21.8	
1936 ...	7,721	11,785	1,483	2,203	73 2	14.7	15.8	
	1937	1938	1937	1938	1937	1938	1937	1938
Jan.	651	761	999	1,081	83	309	215	191
Feb.	604	693	996	1,058	83	230	200	157
Mar.	680	715	1,110	1,116	94	277	232	176
April	631	661	1,080	939	88	62	239	168
May	696	634	1,047	957	98	56	228	161
June	699	542	1,061	776	175	61	235	151
July	729	508	1,059	683	202	65	232	135
Aug.	713	443	988	659	213	51	201	135
Sept.	727	430	1,163	755	226	62	194	138
Oct.	770	469	1,134	854	221	52	207	159
Nov.	762	462	1,178	860	273	66	198	115
Dec.	784	446	1,104	656	288	52	197	106
Year	8497	6764	12964	10394	2033	1341	2574	1918

An account of the year's developments in the principal producing areas of the United Kingdom is given in the following extracts from *The Iron and Coal Trades Review* of January 20, 1939:—

North of England.—The severity of the industrial depression was most pronounced on the North-East Coast, which is so largely dependent on export trade. In 1937 home demand prevented the fulfilment of export orders and manufacturers were later unable to recover lost markets. Never has so little pig-iron been shipped from the Tees, and total clearances of all descriptions of iron and steel in 1938 were about 153,000 tons less than in 1937. Towards the end of the year the decline was arrested. Stocks were reduced and imports rigidly controlled, and it was hoped that price cuts would release a considerable volume of new business. Both means of production and manufacturing processes were improved during the year, but Cleveland's long supremacy in pig-iron production was challenged and eclipsed by the Derbyshire-Northants area. The transition from prosperity to slump was most marked in the hematite trade, where the September output was less than half that of March, and export trade had almost disappeared. Steel production was about 550,000 tons, or 20 per cent., below that of 1937, but this district still retains its lead over other producing areas and re-armament work and the reductions in prices are expected to lead to an improvement in 1939.

Scotland.—Trading showed a definite decline all round, production was curtailed for much of the year, and export business irregular and difficult to secure. The pig-iron trade

was hampered by the British Iron and Steel Corporation's over-estimation of the quantity of iron required, so that steelworks were unable to deal with the output and large stocks accumulated. The heavy steel trade was not affected until the end of April by the quieter business trend, as there were substantial arrears to be worked off. Stocks were extremely large, and the re-imposition of import duties in April did not produce normal conditions until the late autumn. The finished sections suffered further recession. The shipbuilding position was unsatisfactory, though naval and armament work was increasing. Despite the dullness in new business over the first half of the year, Scottish steel ingot production at 965,000 tons was higher than in the corresponding period in 1937. Total production during the year, however, was only 1,602,500 tons, compared with 1,884,800 in 1937.

West Cumberland and Lancashire.—In West Cumberland trade declined throughout the year, and at the end of 1938 the number of furnaces blowing was only half that at the end of 1937. The lessened importance of export markets has deprived the area of some of its geographical advantage, for the bulk of its output must now be transported to other parts of this country. The district benefited from armament work, but there was some short-time working in both Workington and Barrow. Hematite production probably did not equal that of recent years. In Lancashire some branches of the foundry trade were busy throughout 1938, but this was not a general experience. Machine tools, heavy electrical and other speciality forms were well employed, but textile machinists, light casting makers and jobbing foundries were not, though some obtained armament work. Stocks of pig-iron at foundries were reduced towards the end of the year, but replacements were limited in the expectation of price reductions.

Sheffield and District.—Sheffield did not suffer to the degree experienced in some other industrial centres, but there was a bad depression in the middle of the year, though during the autumn industry was returning to where it stood in January. When the year opened pig iron producers were working at high pressure, and little or nothing was going into stock, but by the end of March demand eased sharply and business was quiet and stocks accumulating until September. A few contracts to the end of the year were placed, but though stocks were obviously dwindling, forward business was hampered by the expectation of price reductions at the year-end. In the steel section activity was well maintained until May, after which conditions were slack until October, when production expanded and orders were more plentiful, though forward buying was suspended. In the iron and steel scrap trade the market became weak after the first quarter, and supplies remained well ahead of demand for the rest of the year.

South Staffordshire.—At the beginning of 1938 the excellent conditions of the previous year were expected to continue, but the position changed suddenly before the end of January and deteriorated so much that by the middle of the year many steelworks were operating only to half capacity. The whole of the year was unsatisfactory, and although many consumers had reduced their stocks at the end, many users had sufficient supplies for a considerable period of 1939. In pig-iron the year did not open so briskly as in steel and bar iron, and the depression continued throughout 1938. Hematite, low-phosphorus, forge and refined pig-irons all suffered severe setbacks after the first quarter of the year, and many consumers will have a large carry-over into 1939 in spite of a slightly improved demand for re-armament work towards the year-end. The foundry coke market followed the tendency of pig-iron, but there was a considerable improvement in the fourth quarter, the collieries having obtained substantial export and domestic orders. The position affecting sheets, small steel bars and strip was much the same as other classes, but there was a satisfactory demand throughout for steel supplies for colliery maintenance. In all sections the price reductions at the turn of the year are expected to lead to an improvement in trade.

South Wales.—The slackness in the tinplate and sheet industries affected steel production in South Wales and Monmouthshire. Output in 1938 totalled only 1,763,900 tons, compared with 2,632,000 in 1937. The tinplate works in the "pool" operated at an average of 47 per cent. of capacity compared with 72.4 per cent. in 1937. The demand for galvanised sheets was decreased by the decline in motor-car production and in export requirements, which was not offset by the improvement in other home demand. Prices were steady, only two changes being made. Conditions in the iron and steel scrap market were difficult; the smaller production of steel reduced the demand, imports made stocks alarmingly high in relation to production, and between April and December little new business was transacted. The outlook for all sections of the steel industry is unencouraging, particularly as productive capacity has been increased by the new works at Ebbw Vale.

The following table is compiled by the British Iron and

Steel Federation and gives figures of output in the most important producing countries in recent years:—

WORLD PRODUCTION OF PIG IRON AND STEEL
(In millions of tons)

	1929	1933	1934	1935	1936	1937	1938 (partly est.)
Pig iron:—							
United Kingdom ...	7.59	4.14	5.97	6.42	7.72	8.49	6.76
Germany ...	13.19	5.19	10.41*	12.64*	15.06*	15.71*	18.25
Saer ...	2.07	1.57					
France ...	10.20	6.22	6.06	5.70	6.13	7.79	5.90
Belgium ...	3.98	2.70	2.91	2.98	3.11	3.78	2.40
Luxembourg ...	2.86	1.86	1.95	1.84	1.96	2.47	1.49
Total, Western Europe	39.89	21.68	27.30	29.61	33.98	38.24	34.80
Other European Countries	9.14	9.71	13.56	16.09	18.20	19.33	19.44
United States ...	42.61	13.35	16.14	21.37	31.03	37.13	18.75
Australia, Canada & India ...	3.02	1.67	2.25	2.83	3.07	3.46	3.64
Other Countries ...	2.69	2.36	2.63	3.25	3.98	3.89	2.83
World total ...	97.35	48.43	61.88	73.12	90.26	102.05	79.46
Steel:—							
United Kingdom ...	9.64	7.02	8.85	9.86	11.78	12.98	10.39
Germany ...	15.99	7.49	13.65*	16.19*	18.91*	19.54*	23.00*
Saer ...	2.17	1.65					
France ...	9.55	6.43	6.08	6.18	6.60	7.80	6.00
Belgium ...	4.04	2.70	2.90	2.98	3.12	3.81	2.23
Luxembourg ...	2.66	1.82	1.90	1.81	1.95	2.47	1.42
Total, Western Europe	44.05	27.11	33.38	37.02	42.36	46.60	43.04
Other European Countries	13.00	11.63	15.24	19.08	23.14	25.99	25.57
United States ...	56.43	23.23	26.06	34.09	47.77	50.57	28.25
Australia, Canada & India ...	2.40	1.48	2.06	2.48	2.70	3.15	3.41†
Other Countries ...	2.49	2.29	3.90	5.19	6.33	6.97	5.58
World total ...	118.37	66.76	80.64	97.86	122.10	133.28	105.85

* Includes the Saar and Austria. † Includes S. Africa.

In all cases production fell below the level of 1937, the world total being 20 per cent. smaller, and in many cases output was less than in 1936.

The final table, taken from *The Iron and Coal Trades Review*, shows the reductions in British prices between the beginning of 1938 and 1939.

IRON AND STEEL PRICES

Class of Material	Jan. 16, 1936	Jan. 14, 1937	Jan. 13, 1938	Jan. 12, 1939
Iron ore—				
Rubio, Middlesbrough	£ s. d. 0 18 0	£ s. d. 0 18 0	£ s. d. 0 18 0	£ s. d. 0 18 0
Hematite, West Coast (at mines)	0 14 0	0 17 14	1 5 0	1 4 0
Pig iron—				
No. 3 foundry, Cleveland	3 10 0	4 1 0	5 9 0	4 19 0
No. 3 foundry, Scotch	3 14 0	4 8 0	5 18 0	5 5 8
Hematite, mixed No. 3, West Coast	4 6 0	5 3 6	6 18 6	6 6 0
Hematite, mixed No. 3, East Coast	3 10 6	5 3 0	6 18 0	6 0 0
Finished iron and steel—				
Marked bars, S. Staffs.	12 0 0	13 0 0	15 15 0	15 5 0
Crown bars, S. Staffs.	9 12 6	10 10 0	13 5 0	12 5 0
Steel rails	8 7 6	8 7 6	10 2 6	9 10 0
Galvanised sheets (export)	11 15 0	14 15 0	17 15 0	15 15 0
Steel angles, Middlesbrough	8 7 6	9 3 0	11 0 6	10 8 0
Steel angles, Glasgow	8 7 6	9 3 0	11 0 6	10 8 0
Ship plates, Middlesbrough	8 15 0	9 11 6	11 9 3	10 10 6
Ship plates, Glasgow	8 15 0	9 10 6	11 0 0	10 10 6
Boiler plates, Glasgow	9 5 0	10 0 6	12 2 6	11 8 0
Tinplates, I.C. cokes, f.o.b.	0 18 9	1 0 0	1 3 0	1 0 3

Engineering

ACTIVITY in the engineering industry remained at a fairly high level for the greater part of the year. For the first seven months exports of machinery were consistently larger than in the corresponding month of 1937 and although there was a decline in the latter half of the year total exports for the twelve months were greater than in 1937. The number of insured persons unemployed in general and electrical engineering last year was higher than in 1937, but in marine engineering employment showed a slight improvement, chiefly due to re-armament work. The Board of Trade index of production for the engineering and shipbuilding industry rose from 134.9 (1930 = 100) in the third quarter of 1937 to 135.3 in the fourth quarter, but since then has declined gradually and in the third quarter of 1938 was 122.4. During December, 1938, however, there were signs of improvement in general and electrical engineering, though activity in marine engineering continued to decline.

The following is a summary of the description of developments in the industry from the Annual Trade Review of the *Chamber of Commerce Journal*:—

The year 1938 was one of crisis, change and uncertainty, but also of steady progress, with employment good and without

any serious trade disputes. The trade agreements between this country and Eire and the United States were mutually beneficial and the Palace of Engineering at the Glasgow Exhibition attracted a large number of visitors, but it is difficult to estimate the value of orders directly attributable to the exhibition. During the year a new institution—the Institution of British Agricultural Engineers—held its first meeting.

BRITISH ENGINEERING INDUSTRY

Year	Exports of Machinery	Unemployment		
		General Engineering	Electrical Engineering	Marine Engineering
	Tons	%	%	%
1929	562,472	9.7	4.5	10.4
1931	329,264	27.7	14.7	44.7
1932	301,178	29.1	16.4	58.6
1933	276,312	25.2	15.3	46.6
1934	335,030	16.0	8.6	31.9
1935	383,833	12.7	6.5	25.3
1936	380,495	8.5	4.3	14.4
1937	438,377	5.4	3.1	9.0
1938	459,990	7.4	5.0	8.25

The reports from most mechanical engineering works were generally satisfactory. Re-armament work helped to keep firms busy, particularly as the Government endeavoured to place its orders in depressed areas, thus reducing the burden of overhead charges and so putting firms in a more favourable position for competing for standard work. Some useful export orders were booked during the year, particularly in the Dominions. A

INSURANCE

CONSULT

THE

LIVERPOOL

AND

LONDON

AND

GLOBE

INSURANCE
COY., LTD.

FIRE · LIFE · MOTOR · ACCIDENT · MARINE

HEAD OFFICE:
1 Dale Street,
LIVERPOOL, 2.LONDON:
(Chief Office):
1 Cornhill, E.C.3.

number of important extensions was made to engineering works and some of the shops of the North British Locomotive Company, which have been closed since 1923 owing to lack of orders, were reopened.

The volume of heavy electric work remained substantial, with considerable developments in power stations, but the demand for lighter products was not so great, and there was a slump in the wireless trade, largely owing to previous over-production and the excess capacity of the industry. The increasing use of individual motors for driving machine tools kept the motor builders busy. The electrification of railways continued, and a good deal of work is still on hand. The extension and erection of aircraft factories continued, and the work of aeroplane construction has reached the stage of mass production.

It may be claimed that 1938 was an interesting year, and that the engineering industry performed its part well in spite of all the complications of the international situation.

Shipping and Shipbuilding

THE past year has not been a satisfactory one for the British merchant shipping and shipbuilding industries. Both industries suffered (a) from the decline in international trade, and (b) from the intense competition of other countries. As a result, the share of the world's sea-borne traffic carried in British ships and the proportion of the world's new orders for merchant ships secured by this country showed a further decline. In 1938 the United Kingdom owned only 29 per cent. of the world's steam and motor tonnage (excluding Empire and American lake vessels), against 33 per cent. in 1929, while its share of the total mercantile tonnage commenced last year had fallen to 20 per cent., compared with 55 per cent. in 1929.

The position of the two industries has become so serious that they have asked the Government to come to their assistance. The shipping industry set up a Fact-Finding Committee to analyse the causes of the decline. The Deep Sea Tramp Fact-Finding Committee pointed out in its report that foreign tramp shipping has the advantage over the British industry by reason of:—

- The lower capital cost of ships, which cannot be ascribed solely to State aid;
- lower running costs—wages, manning, insurance and in some cases accommodation;
- lower cost and speedier execution of repairs;
- Government subsidies, indirect aids, preferences, and flag discrimination.

Shipbuilders, in turn, point out that theirs is only an assembly industry, and that the rise in construction costs is due to higher prices of materials and wages over which they have no control. Re-armament, in their view, has contributed to the rise in costs.

The principal changes in shipping and shipbuilding last year are illustrated by our usual tables. The first of these shows the changes in the shipping tonnage employed in Britain's overseas trade, the course of freight rates and of the proportion of insured persons unemployed in shipping and the docks:—

BRITISH SHIPPING

Year	Tonnage engaged in British Overseas Trade		The Economist Index of Freight Rates (1913 = 100)	Unemployment	
	Entered (With Cargo)	Cleared (With Cargo)		Shipping Services	Dock, etc., Services
	Thousand Tons	Thousand Tons		%	%
1913.....	49,064	67,820	100	...	...
1929.....	62,701	68,680	96.8	17.7	30.7
1932.....	58,369	55,441	75.4	34.4	35.0
1933.....	60,430	55,653	72.7	33.2	33.0
1934.....	62,671	58,090	73.9	30.9	31.5
1935.....	62,629	57,325	74.4	29.4	31.4
1936.....	67,415	56,818	84.6	25.8	29.5

Year	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938
January...	4,869	5,335	4,531	4,869	116.5	107.9	24.0	26.3	28.3	25.2
February...	4,821	5,853	4,282	4,146	115.5	102.1	22.7	24.9	28.9	28.0
March.....	5,760	5,598	4,708	4,580	118.4	99.2	21.8	24.4	29.2	27.2
April.....	5,421	5,299	5,145	4,649	129.1	97.7	21.5	25.2	28.1	27.5
May.....	6,003	6,035	5,085	4,795	133.1	97.8	21.1	24.0	27.5	27.0
June.....	6,287	6,127	5,447	5,189	134.9	96.1	20.1	22.7	27.0	27.2
July.....	6,425	6,068	5,820	5,238	132.8	95.2	19.8	21.7	26.7	25.9
August.....	6,722	6,417	5,487	5,379	139.0	95.7	19.7	21.6	26.0	25.0
September...	6,014	5,911	5,633	5,475	145.0	97.2	19.5	22.2	26.6	26.3
October.....	6,100	5,887	5,503	5,352	140.7	95.6	23.0	24.4	21.7	25.8
November...	6,139	5,866	4,911	4,891	125.6	94.1	23.9	26.1	21.5	27.1
December...	5,860	5,495	4,841	4,698	108.6	92.8	25.5	26.8	22.2	25.3
Year.....	70,420	68,372	61,390	58,879	128.3	97.6	21.9	24.2	25.8	26.5

The year 1938 opened with freight rates in the midst of a recession which, after a temporary improvement in the early

autumn, continued until December. As the fall in freight rates was not accompanied by a corresponding reduction in costs, the income of many shipowners was insufficient to maintain the efficiency of their fleets by replacing old vessels with modern tonnage. The tonnage employed in Britain's overseas trade and unemployment in the shipping services showed a comparatively small reduction and increase respectively.

As the next table shows, the volume of shipping laid-up in the British Isles tended to increase with the reduction in world trade. The volume of idle shipping at the end of last year, however, was still appreciably smaller than during the depression.

TONNAGE LAID UP IN THE UNITED KINGDOM (Thousand tons net)

Laid up on:—	Average, 1927-30	1935	1936	1937	1938	1939
January 1.....	355	878	436	212	175	452
April 1.....	433	708	474	90	339	...
July 1.....	554	586	502	61	382	...
October 1.....	460	512	403	69	456	...

The following analysis of the tonnage of shipping entered and cleared at United Kingdom ports shows that while the total turnover has slightly fallen in the past year, the proportion of British ships has not declined:—

ENTRANCES AND CLEARANCES

Tons net entered (in thousands):—	Monthly Average				
	1934	1935	1936	1937	1938
British.....	3,011	3,009	3,171	3,274	3,242
Foreign.....	2,212	2,293	2,447	2,594	2,455
Total.....	5,223	5,302	5,618	5,868	5,697
Percentage British.....	57.6	56.7	56.5	55.8	56.9

Tons net cleared (in thousands):—	Monthly Average				
	1934	1935	1936	1937	1938
British.....	2,816	2,859	2,859	2,999	2,876
Foreign.....	1,858	1,918	1,876	2,117	2,031
Total.....	4,674	4,777	4,735	5,116	4,907
Percentage British.....	60.2	59.9	60.4	58.5	58.5

As a result of the decline in the demand for shipping tonnage and intense foreign competition, the shipbuilding industry suffered a serious setback which is revealed by the table below, showing the tonnage commenced, launched and under construction, as well as changes in the price of a cargo steamer built to plain specifications, and in the proportion of the insured persons unemployed in shipbuilding and ship repairing:—

BRITISH SHIPBUILDING

Year	Output (Mercantile only) Thou. Gross Tons			Price of a New, Ready 7,500 Ton Cargo Steamer†	Unemployment
	Commenced	Under Construction	Launched		
				(Thou. £)‡	%
1913.....	1,868	2,002	1,932	...	...
1929.....	1,648	1,560	1,523	60.0	24.2
1931.....	200	401	502	39.4	55.5
1932.....	72	225	188	32.0	61.7
1933.....	242	332	133	34.5	59.3
1934.....	520	569	460	49.2	49.1
1935.....	682	743	499	52.0	42.5
1936.....	1,081	964	854	69.0	31.2

Year	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938
Jan.....	253	173	1,014	1,089	176	180	...	...	26.4	21.3
Feb.....	...	...	...	...	...	...	...	...	26.1	21.1
Mar.....	...	...	...	...	...	...	...	...	26.0	20.0
Apr.....	368	157	1,200	1,037	253	287	105.0	80.0	24.7	20.5
May.....	...	...	...	...	...	...	...	...	26.0	19.9
June.....	...	...	...	...	...	...	...	...	24.4	20.3
July.....	219	87	1,185	885	265	310	...	...	22.0	20.3
Aug.....	...	...	...	...	...	...	...	...	22.0	21.2
Sept.....	...	...	...	...	...	...	...	...	21.1	22.7
Oct.....	217	88	1,125	780	223	242	90.0	85.0	21.3	22.4
Nov.....	...	...	...	...	...	...	...	...	22.9	22.5
Dec.....	...	...	...	...	...	...	...	...	...	...
Year.....	1,057	505	4,524	3,791	917	1,019	97.5	82.5	23.8	21.1

† At end of year. ‡ According to "Fairplay." § Average.

The recession was not yet reflected in the tonnage launched (which actually showed an increase between 1937 and 1938) owing to the long time-lag between the placing of orders and the launching of vessels. On the other hand, the tonnage of vessels commenced last year was only half as much as in 1937, which points to a severe contraction of merchant shipbuilding activity in the current year.

The decline in orders, however, has already gone beyond the loss of foreign custom, for the comparatively high cost of construction has forced British shipowners to place orders abroad. At the end of 1938, when the tonnage under construction in this country for foreign owners was valued at £3,500,000, shipbuilders abroad were building vessels for British owners valued at £6,500,000.

The proportion of insured persons unemployed in shipbuilding was actually slightly smaller in 1938 than in 1937. This improvement was due to the increase in naval work; but it is doubtful whether increased naval work will be sufficient this year to offset the prospective reduction in mercantile construction.

The next table shows the merchant tonnage launched at home and abroad. Britain's proportion of the total remained unchanged at 34 per cent. last year, but, as only one-fifth of

MERCANTILE SHIPPING LAUNCHED (Thous. gross tons)

Period	Tons launched			British Percentage	Output as Percentage of 1909-13		
	U.K.	Abroad	World		British	Foreign	World
Average—							
1909-13.....	1,522	967	2,489	61	100	100	100
1922-25.....	1,050	1,087	2,137	49	69	112	86
1926-29.....	1,208	1,155	2,363	51	79	119	95
1934.....	460	507	967	48	30	52	39
1935.....	499	803	1,302	38	33	83	52
1936.....	858	1,262	2,118	40	56	130	85
1937.....	921	1,770	2,691	34	61	183	108
1938.....	1,030	2,004	3,034	34	67	203	120

the new orders placed last year was secured by British shipbuilders, the proportion must be expected to decline this year.

MERCANTILE TONNAGE LAUNCHED ABROAD (Thous. gross tons)

	1929	1934	1935	1936	1937	1938
Denmark.....	111	62	122	98	131	158
France.....	82	16	43	39	27	47
Germany.....	249	74	226	380	436	481
Holland.....	187	47	57	94	183	240
Italy.....	71	27	23	11	22	94
Japan.....	164	152	146	295	451	442
Sweden.....	107	50	106	154	161	166
U.S.A. (coast).....	101	25	33	101	196	163

The foregoing table gives details of the tonnage launched

in other countries, while the last table shows the volume of shipping under construction in the principal countries at the end of recent years.

MERCANTILE TONNAGE UNDER CONSTRUCTION (Thous. gross tons)

End Year	1929	1934	1935	1936	1937	1938
United Kingdom.....	1,560	597	743	964	1,125	780
Germany.....	253	140	254	408	369	356
Italy.....	78	37	26	34	107	161
France.....	167	121	56	67	69	90
Holland.....	232	48	104	151	289	247
Denmark.....	105	79	61	76	100	122
Japan.....	184	105	119	203	305	310
Sweden.....	98	60	95	124	129	147
U.S.A. (coast).....	179	20	33	110	204	299
World total.....	3,111	1,252	1,543	2,252	2,900	1,889

The tonnage under construction at the end of last year in the world was smaller than at the end of 1937. But the volume of work in hand in Italy, France, Denmark, Japan, Sweden and the United States showed an increase.

Motors

THE demand for motor cars is very sensitive to changes in general business activity or to expected changes in incomes. Many individuals respond to an expectation, or even the possibility, of a fall in their incomes by putting off the intended replacement of their cars. It is not surprising, therefore, that sales of motor cars showed a decline in the past year, nor that they fell below the levels of the two preceding years.

The fall in output last year, however, was comparatively moderate. The number of private cars and taxis produced in the motor year ended September, 1938, was 12 per cent. smaller than in the preceding year. But while imports were sharply reduced, sales abroad were fairly well maintained and were only slightly below those of the preceding year. Despite the reduction, however, output last year still exceeded the replacement demand, for, as the table overleaf shows, the number of cars in use showed a further increase between September, 1937, and the corresponding month last year.



**FIRE : MOTOR
ACCIDENT
MARINE : LIFE**

**TOTAL FUNDS
EXCEED
£20,500,000**

THE EMPLOYERS'
LIABILITY ASSURANCE CORPORATION
LIMITED

and Associated Companies
Hamilton House, Victoria Embankment, London, E.C.4

**SECURITY
FIRST**



**ROYAL
INSURANCE
COMPANY
LIMITED**

**FOR
ALL
CLASSES
OF
INSURANCE**

Head Office
NORTH JOHN ST., LIVERPOOL - LONDON: LOMBARD STREET

Towards the end of the year, however, demand showed an improvement; in November, for example, new registrations of private cars exceeded the figure for the corresponding month a year earlier. The trend of the production, imports and exports of private cars is shown in the table below:—

UNITED KINGDOM—PRIVATE CARS AND TAXIS
(Number)

Year to September 30	Production	Imports	Exports	Total in use* (September)
1930	189,669	9,751	23,209	1,056,214
1931	158,997	2,118	18,992	1,083,457
1932	171,244	2,762	31,797	1,127,681
1933	220,779	3,619	41,028	1,203,245
1934	256,866	10,851	43,907	1,308,425
1935	311,544	13,563	54,280	1,477,378
1936	353,838	12,650	64,787	1,642,850
1937	389,633	18,840	77,901	1,798,105
1938	342,390	12,909	75,648	1,944,394

* Cars taxed on h.p.

In view of the recession in general business activity, a fall in the output of commercial vehicles was to be expected. The extent of the fall in production, imports and exports is revealed in the next table:—

UNITED KINGDOM—COMMERCIAL VEHICLES
(Number)

Year to September 30	Production	Imports	Exports	Total in use (September)
1930	68,859	1,527	6,545	448,004
1931	67,310	1,490	5,320	446,360
1932	61,475	310	8,381	453,313
1933	65,508	400	10,664	470,778
1934	85,633	1,637	13,742	496,575
1935	92,176	1,838	13,648	518,261
1936	107,609	2,700	16,928	543,087
1937	118,116	4,183	20,702	582,272
1938	105,171	2,721	15,835	580,143

The number of commercial vehicles produced in the past motor year was 11 per cent. smaller than in the preceding year. The percentage reduction was thus almost the same as in the case of private cars. As in the case of the latter, the output of commercial vehicles in the year ended September, 1938, was lower than in either of the two preceding years. Both imports and exports fell sharply, but the number of commercial vehicles in use showed a further increase.

Building

AFTER an unprecedented expansion in dwelling-house and commercial building, the volume of construction turned

BRITISH BUILDING INDUSTRY

	Value of Plans Approved by 146 Local Authorities in Great Britain (£'000)			Percentage of Insured Persons Unemployed	Index of Building Costs* 1935 = 100	Index of Building Activity† 1935 = 100
	Dwelling-Houses	Other	Total			
1928	40,124	27,311	67,435	12.4	106.1	54½
1929	44,260	28,834	73,094	13.3	102.9	60
1930	46,764	27,841	74,605	16.4	102.9	65½
1931	40,492	22,518	63,010	22.5	101.5	62
1932	46,888	19,366	66,254	29.2	96.9	57
1933	62,308	21,373	83,681	24.6	93.6	73½
1934	69,588	25,975	95,563	18.7	93.3	88
1935	78,145	35,573	113,730	16.8	100.0	100
1936	75,061	41,963	117,024	14.9	103.8	107
1937	67,636	43,285	110,921	13.8	110.3	99
1937:—						
January	4,478	3,996	8,472	17.9	108.4	102
February	5,300	5,399	10,699	16.4	108.5	102½
March	5,945	3,953	9,898	16.3	112.5	99½
April	7,036	3,941	10,977	11.9	110.4	102½
May	5,788	3,406	9,194	11.5	109.3	100½
June	5,757	3,762	9,519	10.6	109.7	99
July	6,208	3,713	9,921	11.2	112.0	96½
August	5,624	2,223	7,847	11.1	111.5	95½
September	5,642	3,642	9,284	11.3	110.3	96
October	5,538	3,160	8,698	12.2	110.3	95
November	5,285	3,024	8,309	14.1	110.0	95
December	7,037	3,066	10,103	21.1	109.6	96½
1938:—						
January	5,482	3,279	8,761	19.5	109.6	96½
February	4,840	3,103	7,943	17.3	10.6	93½
March	5,359	3,324	8,683	14.2	110.8	92½
April	5,337	3,022	8,359	12.7	110.9	90
May	6,182	3,023	9,204	12.2	110.5	90
June	5,779	3,081	8,860	12.6	109.7	90½
July	5,556	4,060	9,616	13.1	110.1	90
August	4,071	2,375	6,446	12.4	110.0	90½
September	4,509	2,533	7,041	13.7	110.2	88
October	4,685	3,683	8,368	16.0	110.5	88
November	4,004	3,082	7,086	17.3	110.6	87
December	4,200	3,031	7,231	18.6	110.2	85½

* The method of compilation of this Index and its limitations are explained in Notes in *The Economist* of November 11, 1933, and September 5, 1936.
† Corrected for seasonal fluctuations. Method of compilation explained in the Trade Supplement to *The Economist* of July, 1936.

downwards in the past year. But if the year 1938 marked a turning point in constructional activity, the volume of work carried out was only slightly, if at all, lower than in 1937. In June, 1938, employment in building and public works contracting was still slightly higher than in the corresponding month of 1937. Moreover, the extent of the decline in constructional activity as a whole during the latter part of the year has been slight. Indeed, the absence of a more marked recession in general business activity last year was due, in no small measure, to the continuance of a high level of construction.

Building costs showed little change in the past year. As the index given in the accompanying table shows, they remained about 10 per cent. above the 1935 level.

The remarkable stability of the constructional trades last year was due, in part, to the increase in expenditure for defence, which has almost offset the reduction in civil construction. The figures of building plans passed and the index of building activity (based on the former series), given in the accompanying table, do not include direct Government contracts. Moreover, these statistics relate to future, rather than to past, activity; they therefore tend to exaggerate the extent of the downward movement in total constructional activity in the second part of last year.

But the marked reduction in the value of plans passed for dwelling-houses and other forms of building in 1938 portends a further fall in private construction in the current year, which is likely to be accentuated by the continued absence of war risk insurance facilities, a factor which has already tended to impair the attractiveness of property as an outlet for savings.

Chemicals

A SUMMARY of an account of the British chemical trade in 1938, prepared for the Annual Trade Review of the *Chamber of Commerce Journal* by Mr J. L. Rosenbaum, M.Sc., M.I.Chem.E., is given below:—

International tension and ever-mounting barriers to international trade influenced the chemical and allied group of industries, but the wide range of consuming markets helped to reduce the severity of the incidence of the adverse factors, and while trade as a whole was below the 1937 level it was still better than in 1936. Statistical data for the year are not yet available. Sulphuric acid output is still one of the most reliable indications of the trade trend, and the make of 100 per cent. acid fell from 564,000 tons in January-June, 1937, to 514,000 tons in the same period of 1938. During the first three quarters of 1938 the quantity of duty-free alcohol released by the Commissioners of Customs and Excise for industrial use amounted to 17.6 million proof gallons compared with 19.0 millions in 1937.

Home consumption of chemicals and related materials in 1938 was probably about the same as in 1937, increased rearmament work having compensated for the reduced demand in other trades. The values of both imports and exports were slightly below the 1937 levels, but were higher than those of 1936. Just over 50 per cent. of our exports went to Empire markets last year.

A number of noteworthy new plants were put into operation during the year, and although no major addition was made to British chemical products, steady progress was made in filling the gaps in materials which are essential if this country is to be free from the necessity of imports. The utilisation of

WORLD PRODUCTION AND CONSUMPTION OF PURE NITROGEN
(Year ended June 30th. In Metric Tons)

	1933-34	1934-35	1935-36	1936-37	1937-38
PRODUCTION					
Sulphate of ammonia:—					
By-product	307,050	321,000	376,000	429,000	411,000
Synthetic	534,743	533,000	630,000	688,000	765,000
Cyanamide	841,793	854,000	1,006,000	1,117,000	1,176,000
Nitrate of lime	195,245	232,000	269,000	291,000	305,000
Other forms of nitrogen:—					
Synthetic	107,192	153,000	156,000	179,000	195,000
By-product	515,477	607,000	724,000	851,000	931,000
Chilean nitrate	49,259	45,000	46,000	53,000	49,000
.....	84,300	179,000	192,000	206,000	224,000
Total production	1,792,266	2,070,000	2,393,000	2,697,000	2,880,000
CONSUMPTION					
Manufactured nitrogen	1,714,040	1,877,000	2,223,000	2,492,000	2,620,000
Chilean nitrate	163,550	195,000	218,000	238,000	252,000
Total consumption	1,877,590	2,070,000	2,441,000	2,730,000	2,872,000
Estimated agricultural consumption	1,673,000	1,812,000	2,106,000	2,369,000	2,492,000

* Including nitrogen products used for industrial purposes (except Chilean nitrates) and ammonia in mixed fertilisers.

petroleum gases for the manufacture of chemicals also continued to make headway.

Prices were fairly stable during the year. Metal salts fluctuated somewhat with metals, and fine chemicals had an uneventful year, but there was a continuous recession in prices of certain tar products. It is thought that consumers' stocks cannot now be large, and bulk orders would probably cause prices to strengthen. During the last quarter of 1938 the tone in the chemical markets was distinctly brighter, and, apart from outside influences, the trade should be able to look forward to a period of progress during 1939.

World production and consumption of fertilisers, estimated by the British Sulphate of Ammonia Federation, is shown in the accompanying table.

Both production and consumption continued the steady increase of recent years, and 1937-38 was a record year for the output of most of the products shown in the table. The most marked increases in output of manufactured nitrogen were in Germany and Japan, as in the previous year, but there was a decrease in the United States between 1937 and 1938 following an increase between 1936 and 1937.

Cotton Textiles

THE following table gives particulars of mill consumption of raw cotton and has been compiled from the publications of the International Federation of Master Cotton Spinners' and Manufacturers' Association. Total demand was substantially lower than in the previous season, but Continental countries consumed more than in 1936-37:—

WORLD CONSUMPTION OF RAW COTTON
(Thous. running bales, excluding linters)

Season ended July 31	United Kingdom	Other European Countries	United States	Asia	Other Countries	World
1929	2,800	8,112	7,023	6,720	1,217	25,872
1930	2,248	6,675	6,110	8,136	1,184	24,353
1931	2,470	7,472	5,669	8,149	1,351	25,111
1932	2,507	7,322†	5,337	9,139	1,496	25,801†
1933	2,773	7,614†	6,339	9,003	1,682	27,371†
1937	2,851	7,513*	7,938	9,512	1,908	29,723*
1938	2,500	7,842	5,750	8,032	1,967	26,093

† No returns from Germany. * No returns from Germany or Italy.
* No Returns from Italy.

The statistics of the British cotton trade reflect the deterioration which took place last year. Both imports of raw cotton and exports of yarn and piece-goods declined, prices and average earnings were lower and the average proportion of insured workers unemployed rose from 11.5 per cent. in 1937 to 26.3 per cent. in 1938.

BRITISH COTTON TRADE STATISTICS

Year	Net Imports of Raw Cotton	Exports		Prices—Middling American (Spot)	Unemployment	Average Earnings
		Yarn	Piece goods			
	Million Lb.	Million Lb.	Million Sq. Yds.	Per Lb. d.	%	Per Week s. d.
1913	1,917	210.1	7,057.3	7.27	1.7†	20 5
1929	1,462	166.6	3,671.6	10.33	13.2	23 6½
1931	1,048	139.5	1,716.3	5.08	38.4	32 2
1933	1,204	141.6	2,198.0	5.25	28.7	32 6½
1935	1,348	135.1	2,031.2	5.54	24.2	31 4½
1937	1,200	130.0	2,067.0	6.02	22.7	31 8½
1938	1,195	141.8	1,949.1	6.70	20.9	32 2
1938	1,515	150.9	1,917.0	6.69	15.5	33 0½

Month	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938
	Mn. lb.	Mn. lb.	Mn. lb.	Mn. lb.	Mn. sq. yds.	Mn. sq. yds.	Per lb. d.	Per lb. d.	%	%	s. d.	s. d.
Jan.	158	147	13.8	10.8	161	138	7.18	4.94	11.4	20.1	34 8	35 1½
Feb.	116	137	12.6	10.0	160	117	7.30	5.08	10.8	23.3	35 1	35 1½
Mar.	121	122	15.3	13.1	179	129	7.87	5.07	10.5	24.0	35 3	35 8½
Apr.	118	107	14.8	10.1	165	115	7.60	4.87	10.3	25.0	36 3	35 6½
May	121	71	14.1	8.4	162	110	7.31	4.65	11.0	29.8	35 11½	34 6½
June	108	64	14.3	8.4	155	96	7.06	4.82	10.1	34.7	36 5	33 3½
July	78	98	13.4	9.3	177	113	6.68	5.01	10.4	28.8	36 3½	34 10
Aug.	58	90	13.6	9.0	162	108	5.89	4.80	10.9	30.3	36 12	34 3½
Sept.	97	91	11.9	10.7	157	117	5.36	4.79	12.6	31.7	36 43	34 3
Oct.	164	84	13.0	11.5	154	116	4.84	5.16	10.5	24.0	36 4	35 2
Nov.	219	84	11.4	11.9	151	120	4.63	5.13	13.1	22.5	36 1	35 4½
Dec.	202	94	11.0	9.6	141	108	4.78	5.11	15.8	21.2	35 6½	35 4
Total	1,599	1,195	159.1	122.9	1,922	1,386	6.38	4.94	11.5	26.3	35 9½	34 10½

* Million linear yards at end of year. † End of year.
† Trade Union figure: other figures are Unemployment Insurance returns.

All prices were below the levels ruling in 1937, and were lower at the end of the year than the beginning, with the exception of Middling American, which improved in the last

quarter owing to the large quantities of raw cotton held off the market by the American Government.

RAW COTTON, YARN AND CLOTH PRICES
(Average of weekly quotations)

Year ending July 31st	Cotton Middling American	Cotton F. G. Fair Sakellaridis Egyptian	American Yarn 32's Twist, Per lb.	Egyptian Yarn 60's Twist, Per lb.	39-in. Shirtings, 37½ yards, 16 by 15, 8½ lbs.
	d.	d.	d.	d.	s. d.
1932	4.81	6.78	8.51	14.58	9 6
1933	5.62	7.79	9.26	15.01	9 6
1934	6.02	8.05	9.84	16.48	9 6½
1935	6.92	8.44	10.29	16.08	9 6½
1936	6.50	9.20	10.34	16.08	9 2½
1937	7.12	10.81	12.68	18.61	10 2
1938	4.98	8.73	10.72	17.59	9 6

The severe recession in the British wool textile industry during 1938 is clearly illustrated by the following table, but it also indicates the improvement in the later months of the year.

BRITISH WOOL TEXTILE INDUSTRY

Year	Retained Imports	Exports		Price of Raw Wool* per Lb.	Unemployment (Woolen and Worsted)	Earnings (Ministry of Labour Figures) Wool Textile Industry per Week
		Woolen Tissues	Worsted Tissues			
	Sheep's and Lambs' Wool	Thou. Sq. Yds.	Thou. Sq. Yds.	s. d.	%	s. d.
1913 ...	494.1	105,884a	62,490a	2 1	13.9	40 6½
1929 ...	483.3	108,185	47,281	3 2	18.3	38 9½
1931 ...	591.9	55,331	25,746	1 8½	28.3	34 9½
1932 ...	600.2	53,537	28,297	1 7½	20.8	34 9½
1933 ...	600.9	61,307	32,893	1 11½	14.2	35 11
1934 ...	528.7	68,940	33,262	2 2½	16.0	35 5½
1935 ...	605.0	71,208	38,457	1 11½	13.0	36 5
1936 ...	649.0	78,184	39,800	2 3	9.2	37 2½

Month	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938
Jan....	76.6	75.5	7,848	6,663	3,980	3,765	2 7½	1 11½	7.1	21.1	38	31 35 4½
Feb....	59.0	47.8	7,475	6,046	3,973	3,326	2 5½	2 0½	7.4	20.4	39	6 35 11½
Mar....	62.6	67.2	7,153	5,488	3,520	3,089	2 6½	1 11	6.8	20.8	39	9 36 3
Apr....	57.5	72.1	5,627	3,706	2,963	1,938	2 8	1 11	7.0	21.2	40	1 36 6½
May....	60.1	73.6	5,397	3,457	2,872	1,956	2 7½	1 11	10.1	21.8	39	6½ 36 5½
June....	55.6	71.5	6,302	3,440	3,942	2,340	2 6	1 10½	8.7	22.9	39	10½ 36 2
July....	25.9	41.3	7,881	5,089	4,480	3,033	2 6½	1 10½	10.4	22.1	39	2½ 36 2½
Aug....	25.6	25.9	8,377	6,443	4,145	3,160	2 8	2 0	9.9	23.2	39	0½ 37 2½
Sept....	25.5	30.4	6,437	5,086	3,275	2,389	2 6	1 11½	9.8	18.8	38	10½ 38 0
Oct....	37.6	32.2	6,085	4,541	3,255	2,009	2 5	1 11	11.3	15.8	38	6½ 38 6
Nov....	34.5	51.6	5,353	4,475	3,108	2,159	2 1½	1 10½	15.5	13.6	36	9½ 39 2½
Dec....	44.9	59.0	5,990	4,597	3,438	2,317	2 0	1 10½	17.9	13.6	36	1½ 39 4
Total...	562.4	625.4	79,875	58,919	42,960	31,573	2 5½	1 11½	10.2	19.6	38	9½ 37 1½

* Queensland scoured, super combing. † End of year. a Thousand and linear yards.

Prices for tops and yarns were all much lower on the year; the figures given below are taken from the Annual Review of the *Weekly Wool Chart*.

AVERAGE PRICES OF TOPS

In pence per lb.	July, 1914	Jan. 11, 1934	Mar. 14, 1935	Dec. 31, 1936	Dec. 30, 1937	Dec. 29, 1938
70's average	d. 33	d. 42½	d. 25	d. 38½	d. 32½	d. 26½
64's average	32½	41½	23½	36½	30½	25
60's super	31½	40½	22½	35½	29½	24
58's crossbred	26½	35	17	30½	24½	21
56's crossbred	24½	31	13	27	23	19
50's crossbred	20½	23	11	22	19½	16½
46's carded	17	15½	9½	20½	18	15½
40's prepared	16	13	9	20½	19	14½

AVERAGE PRICES OF YARNS

Per Lb.	July, 1914	Jan. 18, 1934	Dec. 23, 1935	Dec. 31, 1936	Dec. 30, 1937	Dec. 29, 1938
1/16's super	s. d. 1 7	s. d. 1 6	s. d. 1 5	s. d. 1 1½	s. d. 1 11½	s. d. 1 8½
2/16's worsted, med. (44's carded)	1 8	1 8½	1 5	2 1½	1 11	...
2/24's worsted, low (40's crossbred)	1 8	1 7½	1 6½	2 3½	2 0½	1 10
2/32's worsted, med. (46's/48's)	1 10	2 2	1 10½	2 7	2 4	2 0
2/40's (56's super)	2 10½	3 3	2 9	3 3	2 11	2 6
2/48's botany (64's)	3 3	4 5	3 8	4 3	3 8	3 2½

The following is a description, summarised from the *Weekly Wool Chart*, of the main developments of the wool textile industry in 1938:—

The wool textile industry suffered severely from the international political unrest, and the home trade, on which the industry had largely to rely owing to the decline in exports, suffered from the general trade depression and the prevailing policy of reducing stocks and keeping commitments to a minimum. The low prices of the raw material did not stimulate buyers, and purchases were kept closely in line with diminishing trade requirements. During the latter part of the year substantial Government orders for uniform cloth contributed to an improvement, though the woollen trade showed a greater recovery than the worsted section. The number of workers unemployed was less in October and November than at any other period in the year.

During the greater part of the year quotations for both tops and yarns were below cost on the basis of current wool purchases, and considerable impetus was thus given to a scheme for the elimination of redundant spindles. A similar problem in the combing section has already been solved by co-operative effort, and a scheme is also in operation which aims at the elimination of the excessive competition in the dyeing and finishing section.

The falling-off in exports of semi- and fully-manufactured goods was in itself sufficient to account for an appreciable decrease in machinery activity. The industry had to depend mainly on the Dominions and Argentina, with Denmark as the best Continental market. Nearly all the principal markets showed a decline in purchases from the previous year, and for the eleven months January-November exports of woollen and worsted tissues fell by nearly 30 million square yards, while exports of yarns and tops declined by 5 million lb. and 7 million lb. respectively. Exports of noils and wastes were also smaller, though there was an improvement after the announcement of reduced import duties in the United States. In spite of the increase of home trade as a result of Government orders in connection with re-armament, the expansion was not sufficient to offset the decline in exports. It was estimated that the decline in the production of tops in this country in the year ended June, 1938, was not less than 40 million lb. in comparison with the previous two years. In the second half of 1938 and particularly in the last quarter, some leeway was made up, but the total consumption of wool during the year was less than in 1937.

Rayon

UNTIL two years ago it was usual to refer briefly to staple fibre at the end of any review of the rayon industry. Last year the world's output of staple fibre was within a very small percentage of that of filament rayon. The output of staple fibre increased by more than 50 per cent. between 1937 and 1938, due chiefly to the expansion of the industry in Germany, Italy and Japan, where its use has been made compulsory for many purposes in order to avoid as far as possible the purchase of cotton and wool. All manner of raw materials have been suggested for staple fibre, but at the present time there is no satisfactory substitute for wood-pulp. Changes in production are shown below:—

WORLD PRODUCTION OF STAPLE FIBRE
(In thousands of lbs.)

	1933	1934	1935	1936	1937	1938*
Germany	9,900	16,000	33,000	94,350	220,000	330,000
Japan	963	4,700	13,500	46,000	174,800	375,000
Italy	11,000	21,600	67,500	110,500	156,400	178,000
Britain	2,750	4,200	11,500	28,500	35,900	39,800
France	2,200	4,200	8,000	10,500	11,300	13,500
U.S.A.	2,100	2,200	6,000	12,000	20,100	30,000
Other countries...	440	700	1,200	2,550	3,700	13,150
Total	29,353	53,600	140,700	304,400	621,300	973,450

* Provisional.

While Germany is more or less self-sufficient in wood-pulp, Italy is largely dependent on Scandinavia, and Japan, though making big endeavours to meet her needs from Manchukuo and from home supplies, is largely dependent upon supplies from the United States and Scandinavia. Labour costs, incidentally, form a higher proportion of total cost in the production of rayon than in the manufacture of cotton goods.

The output of filament rayon, on the other hand, has shown marked contraction in 1938 in almost every country. The most notable reduction took place in Japan, where staple fibre has largely displaced filament rayon. As a result, the United States once again assumed the leading position as a producer of filament rayon. In other countries, as the table below shows, there has not been any marked change.

WORLD PRODUCTION OF FILAMENT RAYON
(In thousands of lb.)

	1932	1933	1934	1935	1936	1937	1938*
Japan	69,800	97,800	153,100	224,320	275,000	334,000	208,900
U.S.A.	134,700	213,500	209,000	257,600	278,000	321,000	257,900
Britain	69,880	80,040	88,878	112,319	116,811	119,700	106,550
Germany	56,600	63,000	96,000	92,000	100,000	143,300	132,000
Italy	71,700	73,400	85,500	85,500	85,500	106,800	101,500
France	50,600	57,200	57,000	51,700	42,500	72,800	75,000
Netherlands...	19,800	19,200	21,000	20,500	21,000	23,700	21,000
Belgium	9,600	10,800	11,000	13,600	13,900	17,200	15,500
Poland	7,400	8,100	9,650	11,260	11,300	13,700	13,700
Canada	7,700	7,800	9,750	13,250	13,565	16,500	13,700
Russia	5,700	8,600	12,000	12,000	12,000	15,400	16,000
Other countries	22,500	24,100	27,400	27,200	27,330	35,000	27,090
Total	525,980	663,340	774,278	921,249	997,206	1,218,900	988,840

* Provisional.

In Great Britain it was found necessary to restrict production in the spring of 1938. Prices of viscose yarns, after the agreement amongst the producers, have remained steady. In acetate there has been much price cutting, and although the volume of business may not have fallen as much as in viscose, the earnings of the firms engaged have been negligible. There are now signs of closer co-operation not only amongst the acetate producers themselves but between the acetate and the

viscose firms. Owing to the lower prices of cotton and wool, staple fibre has not made marked progress in this country, but large shipments were made to the United States, where demand temporarily exceeded supply.

In the United States, whose rayon industry is closely connected with that in this country, there has been considerable improvement. Prices which had dropped to uneconomic levels have been slightly improved and should rise further. The rush to buy which took place in the summer did not continue when manufacturers had replenished stocks, but production has been increased and the offtake is satisfactory. Staple fibre has been in greater request, but the demand for it was affected by cheap cotton and wool. Great efforts have recently been made to produce rayon yarns suitable to replace the imports of silk; the leading chemical manufacturers have produced an entirely new yarn on a mineral base for which great claims are made, and the commercial development of this will be watched with the greatest interest.

Transparent Paper

THE effect of the increase in the production of transparent paper (of which there are no official returns) is revealed in the returns of imports and exports shown below:—

UNITED KINGDOM TRADE IN TRANSPARENT PAPER

	1934	1935	1936	1937	1938
Imports	Cwts. 15,332	Cwts. 13,843	Cwts. 32,397	Cwts. 25,459	Cwts. 3,895
Exports	4,397	9,605	10,668	14,513	17,567*
Import surplus	+ 10,935	+ 4,238	+ 21,729	+ 10,946	- 13,672

* Based on eleven months' figures.

It will be seen that, whereas in 1936 imports exceeded exports by no less than 21,729 cwts., in 1938 there was an export surplus of 13,672 cwts. The trade is largely with Empire countries, but considerable headway has been made in foreign countries. Japanese competition has been much less severe, due partly to unsatisfactory quality and increased prices, but more particularly to the restriction of raw material supplies. Development of the product and of its use has made further progress, but the recession in trade has had a deterrent effect. Prices have not proved entirely satisfactory in a number of cases, and, despite the good statistical position, the reports of public companies have not been good.

Leather and Footwear

THE table shows that imports of hides of all kinds fell sharply between 1937 and 1938, the aggregate value declining by about 45 per cent. The value of imports of leather and manufactures thereof was 34 per cent. below the total in 1937. The index of sterling hide prices, calculated by the United Tanners' Federation, fell from 99 in 1937 (1923=100) to 79 in 1938. The index, which is adjusted for seasonal variations, touched its lowest point in June at 61, after which it rose to 74 in October and closed at 70 in December.

BRITISH IMPORTS OF HIDES AND LEATHER

Country	Quantity			Value		
	1929	1937	1938	1929	1937	1938
Hides:—	Cwts.	Cwts.	Cwts.	£	£	£
Wet:—						
Ox and cow—						
From Bire	86,306	104,163	65,216	275,995	271,241	122,163
From Union of S. Africa	68,699	13,528	3,896	280,638	43,221	11,543
„ New Zealand ...	27,306	33,341	80,463	132,474	107,329	219,733
„ Other British Countries	45,455	115,444	84,532	170,708	305,227	155,555
„ Denmark	11,197	75,118	35,616	36,996	246,407	79,930
„ Germany	118,455	3,622	816	418,410	16,022	4,749
„ Netherlands	30,399	71,009	59,682	96,875	251,981	178,386
„ Italy	85,841	10,369	25,272	376,835	93,780	111,408
„ Czechoslovakia	9	46,079	32,688	397	192,281	110,963
„ Argentina	65,186	338,011	239,377	280,236	1,118,288	547,590
„ Other Foreign Countries	55,421	183,158	114,100	178,422	622,213	272,006
Total	594,359	993,836	741,688	2,248,086	3,267,980	1,814,026
Other Descriptions	55,016	157,614	192,927	233,477	785,904	716,120
Dry and dry salted:—						
Ox and cow—						
From Union of S. Africa	151,223	102,807	88,566	843,257	389,715	269,038
„ British East Africa	42,403	25,802	14,342	214,116	119,741	45,144
„ Australia	24,615	117,886	132,943	115,639	446,460	366,050
„ Other British Countries	83,433	126,975	65,229	392,449	520,599	213,353
„ Ethiopia	15,857	6,358	9,767	84,831	27,245	25,174
„ Brazil	4,844	57,543	34,562	24,553	211,189	103,009
„ Argentina	9,440	55,393	30,653	51,723	240,522	93,723
„ Other Foreign Countries	110,206	121,041	71,726	543,916	513,349	211,467
Total	442,021	613,806	447,788	2,270,484	2,468,820	1,326,958
Other descriptions	83,006	110,766	83,394	368,388	367,737	219,658
Leather and manufactures thereof—Total	...	...	...	1,582,157	3,788,744	6,444,873

Developments in the market for hides and leather, and in the footwear trade, are summarised in the following extract from a survey in the *Leather Trades Review*:—

The year opened most unpromisingly; there was quite good inquiry and then the market collapsed. In the first half of the year prices declined by about 25 per cent., and purchases were only for immediate requirements. Between May and September there was an improvement both in demand and prices, but, on the average, tanners were unable to cover replacement costs. In August and September trade became brisk, but purchases were mainly of a precautionary nature, and were probably not absorbed by the boot and shoe and other manufacturing trades for some time. Demand declined as a result, but tanners, having cleared their stocks, were able to insist on higher prices. Towards the end of the year reduced inputs at the tanneries resulted in smaller supplies, a firmer market and a tendency towards still higher prices. The industry has been remarkably free from labour trouble during the year.

The Board of Trade index of the production of boots and shoes for 1937 was 118.8 (1924=100) and for the first three quarters of 1938, 111.6, 102.2 and 97.9 respectively. The proportion of insured persons unemployed in the footwear trade in Great Britain was 12.2 per cent. in 1938, compared with 10.9 per cent. in 1937.

Retail Trade

THE course of retail trade during 1938 has been affected by adverse circumstances. Two major political crises in Europe, in the spring and autumn of the year, added to uneasiness over the wars in China and in Spain, and an increasing anxiety as to Great Britain's capacity to defend herself, undermined the confidence of the retail customer in the stability of his world and have adversely affected his desire to spend. In some sections of retailing the resulting decline has been as great in the last twelve months as between the peak of 1929 and the bottom of the slump in 1932.

Percentage changes as compared with the corresponding period a year earlier in the aggregate value of retail turnover from February, 1936, to December, 1938, together with changes in the value of stocks at cost, are given in the first of the two tables overleaf.

The steady increase in the money value of retail turnover, which dated from the middle of 1933, was interrupted at the beginning of 1938, and the rate of increase dropped to 2 per cent. through the second half of the year, as compared with 8 per cent. in the previous year.

the more obvious products—increased in the same period by 4.0 per cent. This increase must be compared with that of 9.3 per cent. in the previous year, and it should be noted that in November, 1938, the smallest increase in the food division sales since October, 1933, was registered. In this connection, it must be borne in mind that food prices were lower in November, 1938, than in the previous year.

PERCENTAGE CHANGES ON THE CORRESPONDING PERIOD IN THE PREVIOUS YEAR

	Value of Sales (at selling)						Value of Stocks (at cost)		
	Month			Year to Date			Month		
	1936-7	1937-8	1938-9	1936-7	1937-8	1938-9	1936-7	1937-8	1938-9
Feb.	+7.3	+7.1	+4.4	+7.3	+7.1	+4.4	+0.8	+2.6	+3.4
Mar.	+7.9	+15.2	-3.7	+7.6	+11.4	-0.2	+0.3	+3.7	+2.6
Apr.	+5.0	+1.5	+11.4	+6.7	+7.9	+3.4	+1.3	+4.8	+1.3
May	+7.2	+13.2	-6.1	+6.9	+9.0	+0.8	+2.1	+4.1	+1.3
June	+4.7	+4.8	+8.6	+6.4	+8.2	+2.4	+1.7	+4.7	-1.4
July	+5.8	+8.1	+3.6	+6.3	+8.2	+2.6	+1.7	+5.0	-2.1
Aug.	+7.4	+6.7	+2.8	+6.4	+8.0	+2.6	+2.3	+6.3	-4.4
Sept.	+7.4	+6.7	+0.9	+6.2	+8.1	+2.4	+3.8	+7.0	-4.5
Oct.	+7.4	+4.4	+2.0	+6.3	+7.7	+2.4	+3.2	+7.4	-5.5
Nov.	+6.5	+7.1	-1.3	+6.3	+7.6	+2.0	+2.6	+5.6	-4.2
Dec.	+5.5	+8.3	+1.9	+6.2	+7.7	+2.0	+2.8	+3.5	-2.9
Jan.	+2.4	+6.2	...	+5.9	+7.6	...	+2.1	+3.3	...

The check to the normal trend of autumn trade is evident in all comparisons. In November and December the seasonal rise is shown in a slight upward movement, and while the sales in October give little evidence that trade restricted in September had merely been postponed, this holding-over may have reinforced the seasonal rise in non-food merchandise during December.

The principal changes in the sub-divisions of the non-food group were as follows:—

Increases: Women's wear (+3.3 per cent.); boots and shoes (+2.6 per cent.); and miscellaneous (+0.2 per cent.).

Decreases: Hardware (-6.0 per cent.); piece-goods (-5.4 per cent.); furnishing departments (-4.5 per cent.); sports and travel (-4.2 per cent.); fancy departments (-2.3 per cent.); men's and boys' wear (-1.6 per cent.).

On a geographical basis, the value of total sales for the period February to December, 1938, increased in the South of England (+5.3 per cent.), Scotland (+5.3 per cent.), Mid-

lands and South Wales (+5.0 per cent.), North-East (+4.1 per cent.), London, Suburban (+3.1 per cent.) and North-West (+2.5 per cent.).

BANK OF ENGLAND INDEX NUMBERS OF TOTAL RETAIL SALES
(Average Daily Sales in 1933 = 100)

	Scotland	Provincial England and Wales	London Central and West End	London Suburbs	Great Britain Total
Yearly					
1932	101	101	99	100	101
1933	100	100	100	100	100
1934	103	103	102	104	103
1935	108	110	106	112	109
1936	114	117	110	120	117
1937	122	127	112	130	125
1938—					
January	124	129	121	128	127
February	118	120	117	127	115
March	127	123	120	128	120
April	128	136	105	140	132
May	126	128	107	136	126
June	141	132	110	129	130
July	121	131	122	130	129
August	114	119	89	114	111
September	126	124	91	122	120
October	128	134	107	131	129
November	129	131	113	140	130
December	153	170	150	188	170

London Central and West End show a decrease of 7.6 per cent. In September, 1938, abnormal conditions were most evident in this district, a substantial decline being recorded for every category except food and perishables, in which division purchases of emergency supplies of grocery and provisions raised the sales of these commodities by more than 25 per cent.

The only other statistics which throw more detailed light on particular aspects of retailing are the Retail Distributors' Association index numbers of department store stocks. The rate of stock turn in this constant sample of department stores reached its highest point, 7.47, in April, 1937, after years of steady improvement and stood at 7.22 in November, 1937. These rates are obtained by dividing total sales (at selling) for all departments for each successive period of twelve months by average stocks (at cost) during the same period. During 1938, the rate declined from January to May, but rose again from June to December, in spite of a period of difficult trading and falling prices. It is clear that this particular aspect of retailing is being dealt with by these stores with increased efficiency.

Statistical Appendix

WHOLESALE PRICES OF COMMODITIES

	CEREALS AND MEAT									
	Wheat		Flour	Barley	Oats	Maize	Rice	Potatoes	Beef	
	No. 2 Northern Manitoba	English Gazette Average	London Standard, Ex-Mill	English Gazette Average	English Gazette Average	La Plata, Landed	No. 2 Burma	Good English	English Sides	Argentine Chilled Hind-Qu.
	Per Qr. s. d.	Per Cwt. s. d.	Per 280lb. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Qr. s. d.	Per Cwt. s. d.	Per Ton £	Per 8 Lb. s.	Per 8 Lb. s.
End of 1929	55 6	9 6	40 0	8 8	7 0	31 0	12 6	3.75	5.67	5.17
End of 1930	24 6	6 0	23 6	8 3	5 6	17 9	8 0	6.00	5.25	4.67
End of 1931	30 9	6 1	23 9	8 3	6 8	18 6	8 7½	10.25	4.50	3.75
End of 1932	25 3	5 4	21 3	6 11	5 9	19 0	7 1½	5.75	4.50	3.75
End of 1933	25 3	4 5	20 3	9 3	5 3	20 0	6 0	5.25	4.42	4.08
End of 1934	30 3	4 10	22 3	8 9	6 9	22 6	6 9	5.75	4.08	3.75
End of 1935	35 6	5 10	27 9	8 4	5 10	18 3	7 6	8.00	3.92	3.75
End of 1936	52 0	9 1	38 9	9 9	7 2	25 9	8 9	9.25	3.92	3.67
End of 1937	55 9	8 5	34 9	13 5	8 2	33 3	8 9	6.75	5.00	4.17
End of January, 1938	59 3	8 4	35 3	13 0	8 7	33 6	8 3	6.62	5.08	4.62
February	57 6	8 0	34 3	12 9	8 5	32 9	8 0	6.50	5.17	4.46
March	56 9	7 8	33 9	11 11	8 5	34 0	7 7½	6.50	5.00	4.00
April	48 3	7 8	32 3	10 5	8 0	34 6	8 1½	7.25	5.08	4.25
May	45 0	8 0	30 9	10 6	8 4	36 0	8 9	9.25	5.00	4.42
June	45 3	7 11	32 0	9 5	8 3	30 3	8 7½	18.00	4.92	4.33
July	45 3	8 1	30 3	10 1	8 4	31 9	9 3	7.00	4.92	4.37
August	33 3	5 11	25 9	10 5	7 1	27 9	9 0	5.75	4.67	4.54
September	30 3	4 11	27 3	9 9	6 5	26 9	9 0	5.00	4.33	4.21
October	26 6	4 11	25 1½	8 9	6 3	26 0	7 6	5.25	4.33	4.61
November	27 0	4 3	22 6	7 5	5 11	26 6	7 1½	5.25	4.33	4.50
End of 1938	27 6	4 4	23 6	7 10	6 0	30 6	7 0	5.75	4.58	4.92

WHOLESALE PRICES OF COMMODITIES—Continued

	CEREALS & MEAT (Cont.)			OTHER FOOD PRODUCTS							
	Mutton		Bacon	Tea	Coffee	Cocoa	Sugar		Cheese	Butter	Coconut Oil
	English Wethers	N.Z. Frozen Wethers	Danish	Indian Auction Average	Costa Rica, Good to Fine	Trini- dad	B.W.I. Crystal- lised	Refined Granu- lated, London	Canadian	Danish	Crude
	Per 8 Lb. s. d.	Per 8 Lb. s. d.	Per Cwt. s. d.	Per Lb. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Ton £
End of 1929	7.00	4.83	105 0	13.12	165 0	62 6	22 3	22 9	97 0	180 0	34.00
End of 1930	6.83	3.92	62 6	14.25	122 6	49 6	20 6	19 6	76 0	142 0	25.50
End of 1931	5.17	2.83	45 0	10.18	112 6	46 0	19 10½	20 8	65 0	136 0	25.00
End of 1932	4.83	2.92	65 0	7.31	94 0	42 0	17 4½	18 1½	64 0	122 0	23.00
End of 1933	5.33	3.50	78 0	13.84	72 0	35 0	18 9	18 11½	48 0	101 0	17.00
End of 1934	6.33	3.75	86 0	11.34	73 6	42 0	18 7½	19 6	56 0	122 0	20.00
End of 1935	5.33	3.67	85 0	12.52	60 0	42 0	18 1½	21 0	63 0	128 0	22.50
End of 1936	5.83	3.67	92 0	12.58	67 0	67 6	17 9	19 5½	71 0	108 0	34.50
End of 1937	6.00	3.50	100 0	14.07	58 6	52 6	19 4½	20 3½	73 0	148 0	19.75
End of January, 1938	5.17	3.50	98 0	14.38	61 0	50 0	19 6	19 9½	75 0	126 0	18.00
February	5.17	3.42	102 0	14.91	62 6	41 6	18 10½	19 11½	75 6	125 6	18.75
March	5.50	3.42	103 0	16.58	60 0	43 6	18 10½	19 3½	77 6	116 0	16.75
April	4.50	3.42	107 0	15.43	60 0	43 6	18 10½	19 2½	77 6	126 0	16.87
May	5.17	3.42	98 0	14.73	55 6	42 0	18 10½	19 0½	78 0	128 0	16.00
June	5.17	3.58	99 0	13.43	52 0	40 0	18 10½	19 3½	79 0	126 0	15.68
July	4.50	3.58	103 0	13.04	53 0	40 0	18 10½	19 6½	79 0	125 6	15.75
August	4.67	3.33	99 0	12.91	52 0	40 0	18 10½	19 6½	79 0	136 6	15.00
September	4.50	3.33	99 0	13.42	59 0	40 0	18 10½	20 0½	71 6	135 6	15.50
October	4.33	3.17	95 0	13.45	69 0	39 6	18 10½	19 9	72 6	136 6	14.25
November	4.33	3.17	87 0	13.10	69 0	40 0	18 10½	19 11½	71 0	144 6	15.50
End of 1938	5.17	3.17	100 0	13.72	67 6	41 0	18 10½	20 6½	72 0	144 6	16.00

English, Scottish & Australian Bank, Limited

Head Office: 5 GRACECHURCH ST., E.C.3
and 406 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 - £1,710,000
Special Currency Reserve - £1,585,000

Board of Directors:
S. M. WARD, Esq. Chairman.
SIR CLIVE BAILLIEU, K.B.E., C.M.G.
LORD HUNSDON.
E. M. JANION, Esq.
SIR GEORGE SCHUSTER, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P.
SIR FREDERICK W. YOUNG.

Manager & Secretary—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.

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. HELLY-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.I.

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.

	TEXTILES										
	Cotton				Wool			Silk	Flax	Hemp	Jute
	American Middling	Egyptian f.g.f. Sak.	Yarn—32's Twist	Cloth—39-inch Shirtings	English, South-down, Washed	Queensland, Scoured Super Combing	Tops, 64's	Italian, Raw, fr. Milan	Livonian Z.K.	Manila	Native Firsts
	Per Lb. d.	Per Lb. d.	Per Lb. d.	Per Piece s. d.	Per Lb. d.	Per Lb. d.	Per Lb. d.	Per Lb. s. d.	Per Ton	Per Ton	Per Ton
End of 1929	9.42	14.15	13.87	13 0	23.00	33.00	31.00	18 9	58.00	35.50	27.75
End of 1930	5.34	7.70	9.00	10 1½	13.50	22.00	22.00	10 9	35.00	23.00	15.50
End of 1931	5.34	7.10	9.12	9 9	13.50	22.00	23.50	11 9	41.00	20.25	19.25
End of 1932	5.10	7.15	9.00	9 2	10.00	19.00	23.00	9 0	55.00	18.75	14.75
End of 1933	5.46	8.05	9.50	9 5	14.50	29.00	40.00	7 9	42.50	14.50	15.62
End of 1934	7.22	9.02	10.50	9 8	13.50	22.00	24.50	6 9	78.00	14.75	16.94
End of 1935	6.39	9.60	10.50	9 4	13.50	24.00	32.00	9 3	77.50	27.50	19.94
End of 1936	7.04	10.14	11.62	9 7½	17.50	30.00	36.00	8 9	72.50	35.50	19.31
End of 1937	4.77	8.92	11.50	9 7	16.50	24.00	30.00	8 1½	66.60	30.00	18.87
End of Jan., 1938	4.89	8.29	10.62	9 6½	16.50	25.00	27.00	7 1½	69.75	28.00	19.00
" Feb., "	5.12	8.56	10.62	9 6½	16.00	24.00	26.50	7 1½	69.50	26.00	18.75
" Mar., "	4.86	8.04	10.12	9 4	15.50	23.00	26.00	7 1½	67.50	26.00	18.06
" Apr., "	4.86	7.98	10.00	9 4	14.50	23.00	26.50	7 1½	66.50	21.50	17.31
" May, "	4.63	7.58	9.50	9 0	12.50	23.00	26.00	7 0	64.50	21.50	17.62
" June, "	4.90	7.52	9.33	8 10½	10.50	22.50	26.00	7 7½	61.75	21.50	17.50
" July, "	4.89	7.90	9.50	8 10½	12.50	24.00	26.00	7 7½	65.50	21.00	19.25
" Aug., "	4.87	7.77	9.37	8 9	12.50	24.00	26.00	7 7½	66.25	21.00	19.12
" Sept., "	4.80	8.39	9.25	8 8	13.50	23.00	26.50	7 7½	68.00	21.00	19.25
" Oct., "	5.23	8.51	9.37	8 9½	13.50	23.00	26.50	7 7½	65.00	21.00	19.62
" Nov., "	5.20	8.09	9.13	8 9	12.50	22.50	25.50	7 7½	70.50	20.00	18.50
End of 1938	5.22	7.54	9.00	8 7	11.50	22.50	25.00	7 7½	74.50	20.00	19.38

	MINERALS										
	Pig Iron	Steel Rails	Iron Bars	Tin Plates	Coal			Lead	Tin	Copper	Spelter
	Cleveland, G.M.B. No. 3	Middlesbrough	Middlesbrough	I. C., S. Wales	Welsh, Best Ad'ty.	Durham, Best Gas	Sheffield, Best House	English Pig	Standard	Standard	G.O.B.
	Per Ton s. d.	Per Ton £	Per Ton £	Per Box s. d.	Per Ton s. d.	Per Ton s. d.	Per Ton s. d.	Per Ton £	Per Ton £	Per Ton £	Per Ton £
End of 1929	72.5	8.50	10.75	18 9	20 1½	16 9	21 0	23.25	178.12	68.00	19.87
End of 1930	63.5	8.50	10.75	15 6	20 0	15 3	23 0	16.25	116.50	46.50	13.75
End of 1931	58.5	8.50	10.00	14 6	19 6	14 7½	23 0	17.00	141.18	38.53	14.59
End of 1932	58.5	8.50	9.75	16 0	19 6	14 6	23 6	12.50	148.44	28.56	15.44
End of 1933	58.5	8.50	9.75	16 7½	19 6	14 8	23 0	12.50	226.94	32.15	14.56
End of 1934	63.5	8.50	9.62	18 2	19 6	14 8	22 0	12.00	228.44	28.37	12.15
End of 1935	66.0	8.50	9.62	18 9	19 6	14 10	24 0	17.75	218.12	35.06	14.56
End of 1936	77.0	8.50	10.50	19 9	19 6	16 6	24 0	29.62	233.25	48.53	19.94
End of 1937	102.0	10.12	13.25	23 0	21 0	22 6	23 0	17.50	181.25	38.94	14.94
End of Jan., 1938	105.0	10.12	13.25	22 6	21 0	22 0	23 0	18.00	182.12	39.84	14.81
" Feb., "	105.0	10.12	13.25	22 6	21 0	21 6	23 0	17.50	186.56	40.28	14.40
" Mar., "	105.0	10.12	13.25	22 6	21 0	21 6	23 0	18.00	173.25	38.09	13.87
" Apr., "	105.0	10.12	13.25	20 3	21 0	21 9	23 0	17.75	164.75	39.75	13.62
" May, "	105.0	10.12	13.25	20 3	21 0	20 6	23 0	15.50	163.12	32.94	11.94
" June, "	105.0	10.12	13.25	21 6	21 0	19 10½	23 0	16.50	184.25	36.75	13.50
" July, "	105.0	10.12	13.25	21 6	21 0	19 8	23 0	16.50	195.37	41.72	13.90
" Aug., "	105.0	10.12	13.25	21 6	21 0	18 10½	23 0	16.25	192.87	40.34	13.25
" Sept., "	105.0	10.12	13.25	21 6	21 0	19 0½	23 0	17.50	196.62	40.22	14.37
" Oct., "	105.0	10.12	13.25	21 6	21 0	19 1½	23 0	18.75	212.25	46.91	15.50
" Nov., "	105.0	10.12	13.25	21 6	21 0	19 1½	23 0	18.00	215.37	43.74	13.94
End of 1938	105.0	10.12	13.25	21 6	21 0	18 10½	23 0	17.00	216.00	44.09	13.96

STOCKHOLMS ENSKILDA BANK AKTIEBOLAG

STOCKHOLM

Established in 1856

Capital: 100,000,000 Kronor

TELEGRAPHIC ADDRESS:
NITTON-STOCKHOLM

HEAD OFFICE:
STOCKHOLM 16

WHOLESALE PRICES OF COMMODITIES—Continued

MISCELLANEOUS													
Timber		Cement	Hides	Leather	Petrol	Petroleum	Fuel Oil	Linseed Oil	Rubber	Crystals	Creosote		
Eng. Oak Planks	Swed. U/S 2½ x 7	Best Portland	Market, Best Ox	Sole Bends 8/14 Lb.	No. 1 Spirit	Paraffin	Inland Furnace Bx. Inst.	Naked, net	Plant. Sheet	Soda	London		
Per C. Ft. s. d.	Per St. £	Per Ton s. d.	Per Lb. d.	Per Lb. d.	Per Gal. d.	Per Gal. s. d.	Per Ton s. d.	Per Ton £	Per Lb. d.	Per Ton £	Per Gal. d.		
End of 1929.....	7 0	19.00	47 0	6.31	21	17½	12	67 6	45.00	8.06	5.12	4.25	
End of 1930.....	7 0	18.00	47 0	5.81	22	15½	11½	67 6	22.50	4.25	5.12	3.75	
End of 1931.....	6 6	16.00	43 0	5.12	22	15½	9½	60 0	14.62	3.31	5.12	4.00	
End of 1932.....	6 6	15.00	43 0	4.12	15	18½	9½	80 0	17.25	2.42	5.12	3.50	
End of 1933.....	6 6	18.00	43 0	4.87	18	17	9	80 0	18.25	4.25	5.12	3.75	
End of 1934.....	6 6	18.00	40 0	4.56	14½	16	9½	80 0	19.25	6.40	5.12	4.12	
End of 1935.....	6 6	17.00	39 0	5.37	22	17	9½	80 0	27.75	6.50	5.12	5.87	
End of 1936.....	6 0	20.00	39 0	6.00	21½	17	8½	80 0	28.00	10.75	5.12	5.81	
End of 1937.....	6 0	23.00	42 0	5.43	20	18	10½	92 4	27.87	6.94	5.12	5.94	
End of Jan., 1938	6 0	22.50	42 0	5.12	20	18	10½	92 4	27.37	7.00	5.12	6.00	
" Feb. "	6 0	22.00	42 0	4.87	19	17½	10½	92 4	27.62	7.12	5.12	5.87	
" Mar. "	6 0	22.00	42 0	4.87	18	17½	10½	92 4	26.00	5.37	5.12	5.94	
" Apr. "	6 0	22.00	42 0	4.87	18	18½	10½	92 4	24.87	5.81	5.12	5.87	
" May "	6 0	21.50	42 0	5.37	17½	18	10	92 4	21.62	5.56	5.12	5.37	
" June "	6 0	21.00	42 0	4.87	17	18	10	92 4	23.12	6.81	5.12	5.37	
" July "	6 0	21.00	42 0	4.74	17	18	10	92 4	22.75	7.75	5.12	4.87	
" Aug. "	6 0	21.00	42 0	4.74	17	18	10	92 4	21.62	8.00	5.12	4.62	
" Sept. "	6 0	21.50	42 0	5.00	17	18	10	92 4	24.75	7.50	5.12	4.62	
" Oct. "	6 0	20.50	42 0	5.12	18	18	10	92 4	21.75	8.25	5.12	4.62	
" Nov. "	6 0	20.50	42 0	5.31	18½	18	10	92 4	22.12	7.94	5.12	4.37	
End of 1938.....	6 0	20.25	42 0	4.75	18½	18	10	92 4	22.25	8.18	5.35	4.37	

THE ECONOMIST INDEX NUMBER, 1936-38

1927 = 100							1913 = 100						
Date	Cereals and Meat	Other Foods	Textiles	Minerals	Miscellaneous	Complete Index	Date	Cereals and Meat	Other Foods	Textiles	Minerals	Miscellaneous	Complete Index
1936							1936						
End Jan. ...	72.7	59.5	61.4	82.9	78.7	71.3	End Jan. ...	101.7	94.7	94.5	100.9	98.0	98.1
" Feb. ...	71.6	59.8	60.2	83.5	78.5	70.9	" Feb. ...	100.2	95.2	92.7	101.6	97.8	97.6
" Mar. ...	72.3	59.8	60.4	83.3	78.4	71.1	" Mar. ...	101.2	95.2	93.1	101.3	97.6	97.8
" Apr. ...	73.3	59.0	59.6	83.1	78.1	70.9	" Apr. ...	102.6	94.0	91.8	101.0	97.2	97.5
" May ...	72.0	58.7	58.4	81.7	76.9	69.8	" May ...	100.7	93.6	90.0	99.4	95.7	96.0
" June ...	70.2	58.9	59.4	80.7	77.9	69.7	" June ...	98.2	93.8	91.4	98.2	96.9	95.9
" July ...	76.9	61.2	61.7	82.4	77.7	72.3	" July ...	107.6	97.4	96.1	100.2	96.7	99.5
" Aug. ...	79.7	61.5	61.1	82.6	77.5	72.8	" Aug. ...	111.5	98.0	94.1	100.5	96.4	100.2
" Sept. ...	82.0	61.6	61.7	84.2	77.0	73.6	" Sept. ...	114.8	98.1	95.1	102.3	95.9	101.3
" Oct. ...	82.0	62.5	63.6	86.0	77.8	74.6	" Oct. ...	114.8	99.6	97.9	104.5	96.9	102.7
" Nov. ...	83.2	65.0	66.6	89.7	78.8	76.9	" Nov. ...	116.3	103.6	102.7	109.1	98.1	105.8
" Dec. ...	86.4	65.6	67.5	95.4	81.2	79.3	" Dec. ...	120.9	104.5	103.9	116.0	101.1	109.1
1937							1937						
End Jan. ...	88.3	67.8	69.2	97.2	82.2	81.0	End Jan. ...	123.6	108.0	106.5	118.1	102.3	111.4
" Feb. ...	87.5	68.6	68.9	105.4	82.9	82.3	" Feb. ...	122.4	109.3	106.1	128.1	103.2	113.3
" Mar. ...	93.0	70.4	74.2	113.2	87.0	87.2	" Mar. ...	130.1	112.1	114.2	137.6	108.3	119.9
" Apr. ...	92.2	69.7	74.3	105.5	87.1	85.7	" Apr. ...	129.0	111.0	114.4	128.3	108.4	118.0
" May ...	93.6	68.6	73.2	110.0	86.7	86.2	" May ...	130.9	109.2	112.7	133.8	108.0	118.5
" June ...	91.2	67.5	70.7	106.5	86.1	84.3	" June ...	127.6	107.6	108.9	129.5	107.1	116.0
" July ...	92.6	67.2	70.7	108.6	85.6	84.7	" July ...	129.6	107.0	108.8	132.0	106.5	116.5
" Aug. ...	90.8	66.1	68.2	107.1	85.2	83.2	" Aug. ...	127.2	105.2	105.0	130.2	106.1	114.5
" Sept. ...	88.8	67.6	65.3	103.5	84.1	81.6	" Sept. ...	124.2	107.6	100.6	125.8	104.7	112.2
" Oct. ...	90.6	67.5	62.0	97.5	81.7	79.7	" Oct. ...	126.8	107.6	95.5	118.6	101.7	109.6
" Nov. ...	87.8	64.3	58.9	95.9	79.3	77.0	" Nov. ...	122.8	102.3	90.8	116.6	98.8	105.9
" Dec. ...	90.7	63.0	59.7	93.5	79.7	77.2	" Dec. ...	126.9	100.4	91.9	113.6	99.2	106.2
1938							1938						
End Jan. ...	90.4	61.7	57.8	94.7	79.3	76.5	End Jan. ...	126.5	97.9	89.1	115.2	98.7	105.2
" Feb. ...	88.7	60.7	57.3	94.4	78.2	75.6	" Feb. ...	124.2	96.7	88.2	114.8	97.4	104.0
" Mar. ...	87.5	60.1	55.5	93.2	76.1	74.1	" Mar. ...	122.4	95.8	85.5	113.3	94.7	102.0
" Apr. ...	85.5	60.2	54.0	92.0	76.5	73.3	" Apr. ...	119.7	95.9	83.1	111.9	95.3	100.8
" May ...	87.3	58.5	51.2	87.8	74.7	71.5	" May ...	122.1	93.2	78.9	106.7	93.0	98.4
" June ...	86.5	57.6	51.5	91.2	75.2	71.9	" June ...	121.0	91.8	79.3	110.9	93.6	98.9
" July ...	82.9	57.5	53.5	93.1	75.2	72.0	" July ...	116.0	91.6	82.4	113.2	93.6	99.1
" Aug. ...	76.7	57.5	53.3	91.8	74.5	70.4	" Aug. ...	107.4	91.6	82.1	111.6	92.7	96.8
" Sept. ...	72.4	58.1	53.9	94.0	75.3	70.2	" Sept. ...	101.4	92.5	83.0	114.2	93.7	96.6
" Oct. ...	69.5	58.2	54.4	96.6	75.3	70.0	" Oct. ...	97.2	92.7	83.8	117.5	93.7	96.3
" Nov. ...	65.9	57.6	53.2	94.9	75.3	68.6	" Nov. ...	92.2	91.8	81.9	116.1	93.7	94.4
" Dec. ...	70.1	57.5	52.6	94.4	74.9	69.2	" Dec. ...	98.1	91.5	81.1	114.8	93.2	95.2

RATES OF EXCHANGE ON LONDON

	Paris	Brussels	Milan	Zurich	Madrid	Amsterdam	Stockholm	Oslo	Copenhagen	Berlin	Vienna
	Francs to £1	Belgas to £1	Lire to £1	Francs to £1	Pesetas to £1	Florins to £1	Kronor to £1	Kronor to £1	Kronen to £1	Marks to £1	Schillings to £1
Par level*	124.21	35.00	92.46	25.22	25.22	12.107	18.159	18.159	18.159	20.43	34.58
Highest, 1938	106.50	30.02	93.50	21.57	62.00	9.40	19.45	19.95	22.45	12.90	28.00
Lowest, 1938	74.37	28.80	61.12	15.06	35	7.24	19.35	19.85	22.35	12.10	25.50
Highest, 1937	152.50	29.65	95.62	21.76	105	9.05	19.45	19.95	22.45	12.42	27.50
Lowest, 1937	104.87	28.80	92.56	21.35	60	8.90	19.35	19.85	22.35	12.12	25.50
Highest, 1936	180.00	29.72	95.75	21.81	200.00	8.99	19.45	19.95	22.45	12.45	27.50
Lowest, 1936	147.18	27.30	87.87	20.34	60.00	8.53	19.35	19.85	22.35	11.53	25.50
Beginning of—											
January, 1930	123.91	34.88	93.22	25.13	36.62	12.09	18.13	18.20	18.20	20.43	34.65
January, 1931	123.66	34.76	92.74	25.04	46.30	12.05	18.13	18.16	18.16	20.38	34.48
January, 1932	86.37	24.37	66.62	17.37	40.18	8.44	17.75	18.25	18.12	14.25	30.00
January, 1933	85.50	24.09	65.12	17.34	40.90	8.31	18.37	19.40	19.31	14.00	28.50
January, 1934	83.00	23.39	61.84	16.79	39.53	8.09	19.40	19.90	22.40	13.71	29.50
January, 1935	74.68	21.02	57.62	15.22	36.06	7.29	19.40	19.90	22.40	12.26	26.50
January, 1936	74.43	29.24	61.25	15.15	35.93	7.25	19.40	19.90	22.40	12.24	26.50
January, 1937	105.12	29.12	93.25	21.37	...	8.96	19.40	19.90	22.40	12.19	26.50
January, 1938	147.28	29.49	95.00	21.61	80.00	8.98	19.40	19.90	22.40	12.41	26.50
February, 1938	152	29.60	95.28	21.62	90.00	8.96	19.40	19.90	22.40	12.42	26.50
March, 1938	153	29.53	95.37	21.60	110.00	8.96	19.40	19.90	22.40	12.40	26.50
April, 1938	162	29.40	94.75	21.65	110.00	8.96	19.40	19.90	22.40	12.36	Nominal
May, 1938	163	29.60	94.78	21.68	115.00	8.96	19.40	19.90	22.40	12.40	Nominal
June, 1938	178	29.26	94.00	21.72	115.00	8.96	19.40	19.90	22.40	12.32	Nominal
July, 1938	177	29.24	94.18	21.60	115.00	8.95	19.40	19.90	22.40	12.30	Nominal
August, 1938	178	29.04	93.25	21.44	150.00	8.95	19.40	19.90	22.40	12.22	Nominal
September, 1938	178	28.79	92.31	21.29	150.00	8.92	19.40	19.90	22.40	12.12	Nominal
October, 1938	178	28.51	91.62	21.19	150.00	8.87	19.40	19.90	22.40	12.00	Nominal
November, 1938	178	28.10	90.37	20.94	150.00	8.73	19.40	19.90	22.40	11.87	Nominal
December, 1938	178	27.71	88.96	20.60	150.00	8.60	19.40	19.90	22.40	11.66	Nominal
January, 1939	176	27.51	88.12	20.55	150.00	8.52	19.40	19.90	22.40	11.54	Nominal

	New York	Buenos Aires	Rio de Janeiro	Monte Video	Valparaiso	Bombay	Hong-kong	Shanghai	Kobe	Singapore
	Dollars to £1	Pence to £1	Pence to £1	Pence to £1	Pesos to £1	Sterling to Rupee	Sterling to Dollar	Sterling to Dollar	Sterling to Yen	Sterling to Dollar
Par level*	4.86	47.62	5.899	51	40.00	s. d.	s. d.	s. d.	s. d.	s. d.
Highest, 1938	5.07	18.90	2	27	136	1 6	1 4	1 2	1 2	2 4
Lowest, 1938	4.87	16.00	2	22	127	1 6	1 4	1 2	1 2	2 4
Highest, 1937	5.03	17.13	3	26	131	1 6	1 3	1 2	1 1	2 4
Lowest, 1937	4.87	16.00	2	24	125	1 6	1 3	1 2	1 1	2 4
Highest, 1936	5.03	20.75	3	26	125	1 6	1 3	1 2	1 1	2 4
Lowest, 1936	4.87	17.00	2	24	116	1 6	1 3	1 2	1 1	2 4
Beginning of—										
January, 1930	4.86	45	5	46	39.80	1 5	1 8	2 1	2 0	2 3
January, 1931	4.86	35	4	35	39.89	1 5	1 8	2 1	2 0	2 3
January, 1932	3.38	40	4	31	28.00	1 6	1 5	1 5	2 0	2 4
January, 1933	3.33	40	4	30	...	1 6	1 5	1 7	1 3	2 3
January, 1934	5.15	35	4	35	...	1 6	1 5	1 7	1 3	2 3
January, 1935	4.94	27	3	20	117	1 6	1 8	1 5	1 2	2 4
January, 1936	4.92	18.25	2	22	127	1 6	1 3	1 2	1 1	2 4
January, 1937	4.90	16.05	2	26	131.5	1 6	1 2	1 2	1 1	2 4
January, 1938	4.99	17.03	2	25	125	1 6	1 3	1 2	1 1	2 4
February, 1938	5.01	18.10	2	23	125	1 6	1 3	1 2	1 1	2 4
March, 1938	5.01	19.10	2	21	125	1 6	1 3	1 2	1 1	2 4
April, 1938	4.96	20.10	2	20	125	1 6	1 3	1 2	1 1	2 4
May, 1938	4.98	19.04	2	20	125	1 5	1 2	1 0	1 2	2 3
June, 1938	4.94	19.01	2	20	125	1 5	1 2	1 0	1 2	2 3
July, 1938	4.95	19.01	2	20	124	1 5	1 3	0 10	1 2	2 3
August, 1938	4.90	18.85	2	20	123	1 5	1 3	0 8	1 2	2 3
September, 1938	4.85	18.95	2	20	122	1 5	1 3	0 8	1 2	2 3
October, 1938	4.82	19.00	2	20	118	1 5	1 3	0 8	1 2	2 3
November, 1938	4.75	19.03	3	20	119	1 5	1 3	0 8	1 2	2 3
December, 1938	4.68	20.61	3	18	116	1 5	1 3	0 8	1 2	2 3
January, 1939	4.63	20.42	3	19	116	1 5	1 3	0 8	1 2	2 3

* Unofficial quotations. † Nominal (export rate). ‡ Nominal. (b) Par, 8.23 since dollar devaluation on February 1, 1934. (c) Paper pesos to £ from January, 1935. * Previous to September 20, 1931.

VOLUME OF IMPORTS AND EXPORTS AVERAGE VALUE OF IMPORTS AND EXPORTS

(Average values of year 1935 = 100)

Period	Total Imports	Exports of Merchandise	Net Imports	British Exports
1937—January-March	105.7	102.3	106.0	105.2
April-June	111.1	117.9	110.5	112.0
July-September	109.8	100.1	110.6	111.0
October-December	125.2	92.5	127.7	112.7
Year	113.0	103.2	113.8	111.1
1938—January-March	110.2	95.2	111.4	99.7
April-June	104.8	109.6	104.4	84.3
July-September	105.8	87.9	108.7	85.5
October-December	111.4	98.4	112.4	105.0
Year	107.9	98.0	108.7	98.6

(Average of year 1935 = 100)

Period	Total Imports	Exports of Merchandise	Net Imports	British Exports
1937—January-March	114.9	132.6	113.5	105.2
April-June	120.9	133.7	119.9	109.2
July-September	124.5	136.0	123.7	118.1
October-December	120.6	123.3	120.4	113.2
Year	120.3	131.7	119.5	110.2
1938—January-March	117.7	120.0	117.6	113.9
April-June	113.3	112.5	113.4	111.9
July-September	111.2	111.0	111.3	111.7
October-December	108.9	111.0	109.8	111.1
Year	112.8	113.6	112.7	112.1

DISTRIBUTION OF ISSUES

	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	7,880,500
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	9,356,800	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	344,800	4,722,800	344,800
South African Mines	4,621,000	6,135,900	15,345,100	9,452,300
Other Mines	1,542,000	1,144,500	14,953,200	3,076,100
Exploration, Financial and Investment Trust	15,869,800	7,898,500	33,664,800	12,005,300
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	9,410,800
Rubber and Land	1,880,200	123,500	1,434,700	329,100
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	1,887,700	80,100	3,233,300	80,100
Gas and Water	1,887,700	887,300	7,240,100	4,046,400
Hotels, Theatres and Entertainment	3,622,400	2,743,900	3,896,100	3,169,200
Patents and Proprietary Articles	1,887,700	900,000	3,446,200	1,200,000
Docks, Harbours and Shipping	551,500	Nil	9,120,400	1,155,700
Banks and Insurance	2,165,900	965,000	8,665,000	965,000
Manufacturing and Miscellaneous	24,526,700	18,795,600	55,959,200	48,513,300
Totals	251,642,000	80,105,600	458,056,700	273,123,700

STOCK MARKET PRICES IN 1938

The following table is compiled from the Actuaries' Investment Index:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		Yields (%)	
	Dec. 28, 1937	Dec. 30, 1938	Dec. 28, 1937	Dec. 30, 1938
Fixed Interest:—				
2½% Consols (1)	139.7	125.3	3.36	3.56
Misc. ind. deb. (13)	121.5	119.6	4.09	3.98
Misc. ind. pref. (47)	115.6	110.5	4.46	4.46
Ordinary:—				
Cotton (6)	35.6	23.6	2.60	3.14
Iron and Steel (17)	65.9	54.1	6.04	7.57
Motors (8)	38.5	32.8	5.98	6.38
Oil (4)	84.4	78.1	7.68	7.72
Electric supplies (12)	129.9	114.3	4.85	6.15
Stores and Catering (18)	64.4	54.0	4.35	6.22
Miscellaneous (40)	66.4	66.7	5.16	5.76

DAILY AVERAGE MONEY RATES

Years	Bank Rate	Market Rate, 3 Months' Bills	Deposit Rate, Banks	Short Loans
1926	5.00	4.10	5.00	4.10
1927	4.10	4.10	4.10	3.15
1928	4.10	4.10	4.10	3.15
1929	5.10	5.10	5.10	4.12
1930	3.80	2.12	3.80	2.90
1931	3.18	1.10	3.18	3.10
1932	3.00	1.10	3.00	1.15
1933	2.00	1.10	2.00	0.15
1934	2.00	1.10	2.00	0.15
1935	2.00	1.10	2.00	0.15
1936	2.00	1.10	2.00	0.15
1937	2.00	1.10	2.00	0.15
1938	2.00	1.10	2.00	0.15

IONIAN BANK, LIMITED

ESTABLISHED 1839

CAPITAL AUTHORISED £1,000,000 RESERVE FUND £100,000
CAPITAL PAID UP £600,000 TOTAL ASSETS £4,

THE EASTERN BANK LTD.

HEAD OFFICE: CROSBY SQUARE,
BISHOPSGATE, LONDON, E.C.3

Authorised Capital - £2,000,000
Paid-up Capital - £1,000,000
Reserve Fund - £500,000

BRANCHES:
BOMBAY, CALCUTTA, KARACHI,
MADRAS, COLOMBO, SINGAPORE,
BAGHDAD, BASRA, AMARAH,
MOSUL, KIRKUK, BAHRAIN

Conducts all descriptions of
Banking business with the East.

Current Accounts are opened
and Fixed Deposits are received
at rates of interest which may
be ascertained on application.

**EXECUTORSHIPS and TRUSTEESHIPS
UNDERTAKEN.**

NATIONAL DISCOUNT COMPANY, LIMITED

(Incorporating the Business of Messrs. REEVES WHITBURN)

35 CORNHILL, LONDON, E.C.3

Telegraphic Address:
"NATDIS, STOCK, LONDON."

ESTD. 1856
Telephones:
MANSION HOUSE 5241 (3 lines)

SUBSCRIBED CAPITAL - £2,153,335
PAID-UP CAPITAL - £1,000,000
RESERVE FUND - £1,100,000

DIRECTORS:

Sir SIGISMUND F. MENDEL, K.B.E. (Chairman)
Lt.-Col. The Hon. GEORGE AKERS-DOUGLAS
The Hon. ARTHUR M. ASQUITH, D.S.O.
RONALD L. BASSETT
The Hon. LOVEL W. COKE
FRANCIS GOLDSMITH, (Managing Director).
H. S. H. GUINNESS
Sir CHARLES D. SELIGMAN

Sub-Manager—R. E. de B. BATE

Asst. Sub-Manager
H. R. W. BROWN

Secretary & Chief Accountant
W. SHEPHERD

Registrar—G. H. ELLARY

Auditors:
PRICE, WATERHOUSE & Co.

Bankers:
BANK OF ENGLAND
NATIONAL PROVINCIAL BANK LTD.

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 Management,

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
RESERVE FUNDS (HONGKONG CURRENCY) ... £10,000,000
RESERVE LIABILITY OF PROPRIETORS ... £20,000,000

Head Office - HONGKONG

BOARD OF DIRECTORS:

T. E. PEARCE, Chairman
Hon. MR. J. J. PATERSON, Deputy-Chairman
J. K. BOUSFIELD G. MISKIN
A. H. COMPTON K. S. MORRISON
Hon. Mr. S. H. DODWELL Hon. Mr. A. L. SHIELDS
W. H. LOCK H. V. WILKINSON
CHIEF MANAGER - Sir VANDELEUR M. GRAYBURN

BRANCHES:

Amoy, Bangkok, Batavia, Bombay, Calcutta, Canton, Chefoo,
Colombo, Dairen (Dalny), Foochow, Haiphong, Hamburg,
Hankow, Harbin, Hongkew (Shanghai), Ipoh, Johore, Kobe,
Kowloon, Kuala Lumpur, London, Lyons, Malacca, Manila,
Moukden, Muar, New York, Peiping (Peking), Penang, Rangoon,
Saigon, San Francisco, Shanghai, Singapore, Sourabaya, Sungei
Patani, Swatow, Tientsin, Tokyo, Tsingtao, Yloilo, Yokohama.

COMMITTEE IN LONDON:

Lord Ashburton C. A. Campbell
A. H. Barlow Sir George Macdonogh,
D. G. M. Bernard G.B.E., K.C.B., K.C.M.G.

MANAGERS IN LONDON:

O. J. Barnes E. J. Davies
Sub-Manager: G. M. Dalgety Accountants: A. M. Knight

9 GRACECHURCH ST., LONDON, E.C.3

BANK GOSPODARSTWA KRAJOWEGO

(NATIONAL ECONOMIC BANK)

JEROZOLIMSKA 1, WARSAW

Telegraphic Address: KRAJOBANK, WARSAW

Paid-up Capital: Zl. 150,000,000

Reserve Fund: Zl. 50,679,223

Total of Balance Sheet, as on September 30th, 1938

Zl. 2,715,888,759

19 Branches
in Poland

Correspondents all
over the world

**HANDLING OF BANKING
TRANSACTIONS OF EVERY
DESCRIPTION**

Royal Bank of Scotland

Incorporated by Royal Charter, 1727.

Head Office: St. Andrew Square, EDINBURGH

250 Branches throughout Scotland.

ASSOCIATED BANK—WILLIAMS DEACON'S BANK, LD. (Members of the London Bankers' Clearing House)

BANK OF SCOTLAND

CONSTITUTED BY ACT OF PARLIAMENT 1695

AUTHORISED CAPITAL - £1,500,000
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 Hon. LORD ELPHINSTONE, K.T. Deputy Governor: THE LORD HENRY SCOTT
J. W. MACFARLANE, Treasurer.

Head Office: THE MOUND, EDINBURGH

GLASGOW, Chief Office: 2 St. VINCENT PLACE. JAMES CRAIG, 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 NATIONAL BANK OF SCOTLAND LIMITED



Head Office:
EDINBURGH

Branches throughout
SCOTLAND

ESTD. 1825

LONDON OFFICES: 37 Nicholas Lane, E.C.4, and 18/20 Regent Street, Piccadilly Circus, S.W.1

Every description of banking service undertaken, including Foreign Exchange, Trustee and Executry business.

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

One Hundred and Seventh Annual Statement The Bank of Nova Scotia

Capital Paid Up
\$12,000,000



Reserve Fund
\$24,000,000

PROFIT AND LOSS

Balance December 31st, 1937	\$ 915,456.88
Net profits for the year ending December 31st, 1938, after Dominion and Provincial taxes \$535,878.10 and after making appropriations to Contingent Accounts out of which accounts full provision for Bad and Doubtful Debts has been made	1,980,769.91
	<u>\$ 2,896,226.79</u>
Dividends Nos. 273, 274, 275 and 276 at 3% per quarter	\$ 1,440,000.00
Contribution to Officers' Pension Fund	185,000.00
Written off Bank Premises	250,000.00
Balance carried forward December 31st, 1938	<u>1,021,226.79</u>
	<u>\$ 2,896,226.79</u>

GENERAL STATEMENT AS AT DECEMBER 31st, 1938

LIABILITIES	
Capital paid up	\$ 12,000,000.00
Reserve fund	24,000,000.00
Dividends declared and unpaid	360,976.05
Balance of profits, as per profit and loss account	1,021,226.79
Notes in circulation	<u>\$ 8,674,539.70</u>
Deposits by and balances due to Dominion Government	\$ 675,191.34
Deposits by and balances due to provincial governments	2,148,511.54
Deposits by the public not bearing interest	69,237,864.81
Deposits by the public bearing interest, including interest accrued to date of statement	181,231,486.43
	253,291,064.12
Deposits by and balances due to other chartered banks in Canada	\$201,965,593.82
Deposits by and balances due to banks and banking correspondents in the United Kingdom and foreign countries	2,194,164.09
Bills payable	2,303,206.86
Acceptances and letters of credit outstanding	50,732.89
Liabilities to the public not included under the foregoing heads	\$266,548,697.26
	5,095,261.83
	<u>314,653.39</u>
	<u>\$309,305,815.23</u>

ASSETS	
Gold held in Canada	\$ 2,986.33
Subsidiary coin held in Canada	343,505.90
Gold held elsewhere	2,121.42
Subsidiary coin held elsewhere	1,466,733.21
Notes of Bank of Canada	4,482,897.50
Deposits with Bank of Canada	19,736,566.44
Notes of other chartered banks	373,524.25
Government and bank notes other than Canadian	6,601,911.77
Cheques on other banks	\$ 33,010,246.82
Due by banks and banking correspondents elsewhere than in Canada	9,946,064.61
	11,852,912.32
	<u>\$ 54,809,213.75</u>
Dominion and provincial government direct and guaranteed securities, maturing within two years, not exceeding market value	22,920,715.12
Other Dominion and provincial government direct and guaranteed securities not exceeding market value	70,792,695.77
Canadian municipal securities, not exceeding market value	12,877,157.71
Public securities, other than Canadian, not exceeding market value	936,296.28
Other bonds, debentures and stocks, not exceeding market value	13,465,232.08
Call and short (not exceeding thirty days) loans in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover	6,941,908.01
Call and short (not exceeding thirty days) loans elsewhere than in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover	2,508,474.87
Current loans and discounts in Canada, not otherwise included, estimated loss provided for	\$191,351,663.59
Current loans and discounts elsewhere than in Canada, not otherwise included, estimated loss provided for	\$ 80,671,903.63
Loans to provincial governments	14,971,803.43
Loans to cities, towns, municipalities and school districts	1,184,261.25
Non-current loans, estimated loss provided for	6,045,466.60
	497,691.92
Liabilities of customers under acceptances and letters of credit as per contra	\$103,371,066.83
Mortgages on real estate sold by the bank	5,095,261.83
Bank premises, at not more than cost, less amounts written off	93,271.33
Deposit with the Minister of Finance for the security of note circulation	6,309,031.89
Shares of and loans to controlled companies	492,842.44
Other assets not included under the foregoing heads	2,500,000.00
	92,647.32
	<u>\$309,305,815.23</u>

J. A. McLEOD, President.

H. F. PATTERSON, General Manager.

Auditors' Report to the Shareholders:

We have examined the above General Statement of Liabilities and Assets as at December 31st, 1938, and compared it with the books at the Chief Office and with the certified returns from the Branches. The Bank's investments and cash on hand at the Chief Office and at the Toronto and Montreal Branches were confirmed by us at the close of business on December 31st, 1938. We have obtained all the information and explanations that we have required, and in our opinion the transactions of the Bank which have come under our notice have been within the powers of the Bank.

We report that in our opinion the above statement discloses the true condition of the Bank and is as shown by the books of the Bank.

D. McK. McCLELLAND, F.C.A., of Price, Waterhouse & Co., Auditors.

G. T. CLARKSON, F.C.A., of Clarkson, Gordon, Dilworth & Nash, Auditors.

Toronto, Canada, 16th January, 1939.

The Bank of Nova Scotia conducts a general banking business. Fully equipped for Exchange, Collection and Letter of Credit Transactions with all parts of the world. Particular attention is devoted to business with Canada, Newfoundland, and the West Indies, where Branches of the Bank have long been established—300 branches in all.

LONDON OFFICE: 108 OLD BROAD STREET, E.C.2.

E. C. MACLEOD, Manager.

THE ECONOMIST

TRADE SUPPLEMENT

New Series

SATURDAY, MARCH 25, 1939

No. 27

The Trend of Business

BEFORE Herr Hitler's coup in Czecho-Slovakia there had been signs of some revival in business confidence both in this country and elsewhere, reflected in the rise in the prices of industrial securities on the Stock Exchanges of London, Paris and New York.

After many months of hesitancy a large section of the British business world had taken the view—and not altogether without justification—that recovery was on the way. In the field of foreign politics the initiative appeared to have passed from Germany and Italy to the democratic Powers; and the growing military strength of the latter was widely believed—a belief resting on wishful thinking rather than on positive evidence—to have restored a measure of equilibrium and stability in international relations. In the sphere of domestic business the proposed increase in defence expenditure was thought to be big enough to offset, during the course of this year, all but the most catastrophic decline in private investment.

Moreover, the view was widely held that the recession in the United States was merely a temporary interruption of recovery and that the spring might herald the beginning of a further measure of expansion across the Atlantic. France appeared to have turned the corner, and the latest information indicated that business was on the upgrade. In the majority of other industrial countries recession seemed to have been arrested or slowed down, and the raw material producing countries were beginning to look forward to a rise in commodity prices which appeared to be about to start. Germany, suffering severely from the strains of her feverish armaments drive, seemed to be preoccupied with her own problems, and her industrialists—hitherto bent on undercutting British products wherever possible—suddenly showed a strong desire to conclude cartel agreements with their opposite numbers in this country.

Meanwhile, there was at least some evidence of improvement in business activity in this country. For example, *The Economist* index of Business Activity, adjusted for seasonal variations, rose from 101 (1935 = 100) in December, to 103 in January and 104 in February. The index of employment, after having remained unchanged at 110 since July, 1938, rose to 111 in February, a rise of one point over the figure for the corresponding month last year. The figures relating to coal consumption, building activity, iron and steel available for home consumption, raw cotton forwarded to mills and exports of domestic manufactures all showed a rise between January and February. On the other hand, the indices for the consumption of electric power, postal receipts, raw material imports, shipping movements and bank clearings registered a slight fall in the past month.

Compared with a year ago, the fall in unemployment last month was most marked in the consumption goods trades. Except in the case of rayon manufacture, there was a reduction

in the proportion of insured persons unemployed in all the textile trades, the aggregate fall amounting to no less than 4.5 per cent. of the numbers insured. Again, unemployment last month was smaller than a year ago in the clothing trades and in the food, drink and tobacco industries. The motor industry experienced a revival in demand for private cars, and new registrations in January showed an increase of 10 per cent. over the figure for the corresponding month last year. The revival in the consumption goods trades, moreover, continued in the first half of March, when the volume of new orders booked was substantial. Sales of cotton goods this month, for example, are reported to have been bigger than in any month for more than a year, and business in rayon fabrics has lately been heavier than at any time since the summer of 1937. Indeed, there were indications of a restocking movement for the home market, stimulated by the increase in private purchasing power and Government orders.

Even export business had been a little better.

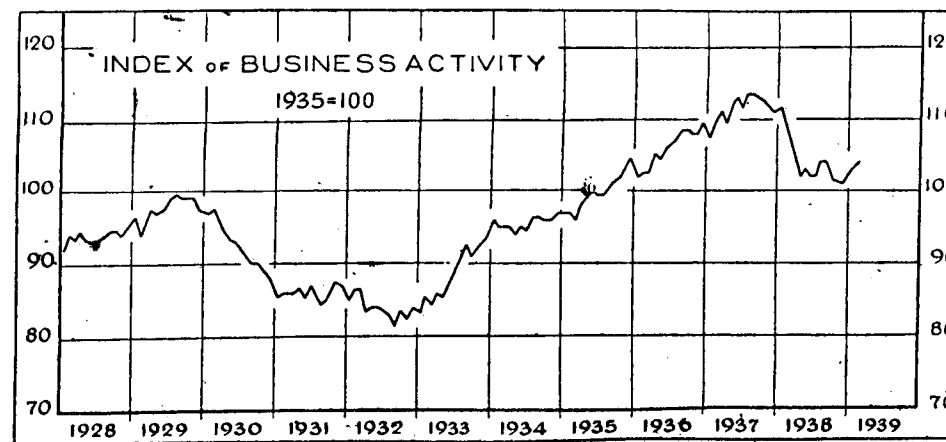
The improvement was also reflected in the increase in the value of building plans passed last month, exclusive of direct Government orders. For the first time since last August, the value of plans passed by the

reporting local authorities was higher than in the corresponding month of the preceding year.

Again, there was a remarkable revival in the demand for iron and steel, which cannot be attributed entirely to Government orders. Our index of the quantity of iron and steel available for home consumption rose from 100½ in January to 117½ in February. The rate of operations in the tinplate industry advanced from just over 40 per cent. of its capacity at the end of January to 56 per cent. at the beginning of March.

This incipient revival has not yet become general, and in some industries, including commercial shipbuilding, activity is still declining. The tonnage of ocean-going vessels under construction at the end of last month, for example, was only 591,364 gross, against 1,165,936 gross a year earlier. But hopes of early Government assistance were running high.

In short, the stage appeared to be set for a measure of industrial recovery, when the German Government dealt a severe blow to the revival in business confidence by its high-handed action in Czecho-Slovakia. Although the full effect of Germany's renewed recourse to power politics cannot yet be assessed, it may well cause some hesitancy in the flow of private orders to industry, though probably not an immediate decline in industrial production. But, since it is now widely realised that Germany can only be held in check by a "spiked wall" around her frontiers, defence expenditure is likely to be increased even faster than was contemplated until recently. Consequently, it is probable that any possible decline in private activity will be offset in the course of this year by a considerable expansion in defence work.



British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of March. In the remainder they relate to the month of February.

COAL

The activity of the coal-mining industry has been fairly well maintained, though production and exports are still running below last year's level. The quantity of coal raised in February was 4.6 per cent. smaller than in the corresponding month last year, compared with a fall of only 2.3 per cent. between January, 1938, and January, 1939. The position has remained fairly satisfactory in most districts, with the exception of South Wales, which has seriously suffered from the fall in exports. Production in South Wales, for example, has recently been about 12 per cent. smaller than a year ago, while shipments in the foreign and coastwise trades have been as much as 20 per cent. lower. The volume of total exports of coal last month was 2.3 per cent. smaller than a year ago, whereas the figure for January showed a reduction of 6.9 per cent. from the previous year's figure. While exports have held up fairly well, shipments for the use of steamers engaged in foreign trade fell by 12.1 per cent. between February, 1938, and February, 1939, compared with a fall of 13.2 per cent. between January, 1938, and January, 1939. There have been significant changes in the distribution of exports between February, 1938, and February, 1939. Norway, Denmark, Germany and Argentina, for example, increased their intake of British coal, but shipments to France showed a heavy decline, from 716,800 tons in February, 1937, to 531,400 tons in the corresponding month of 1938 and 327,800 tons in 1939. The recession in the Welsh coal trade is due in no small measure to the reduced purchases by France.

IRON AND STEEL

Instead of the usual seasonal decline between January and February the output of pig iron and crude steel last month showed an increase. The output of pig iron rose by 3.1 per cent. to 516,000 tons, compared with a fall of 8.9 per cent. between January and February, 1938, while the production of crude steel showed an increase of no less than 19.6 per cent. to 971,100 tons, against a reduction of 2.2 per cent. a year ago. Compared with the figures for February, 1938, the output of pig iron and crude steel last month still showed decreases of 25.6 per cent. and 8.2 per cent. respectively. The relatively much bigger increase in the output of steel than in the production of pig iron is due to the longer time taken to step up the output of the latter. Owing to the delay in increasing the output of pig iron, the steel furnaces were compelled to use a bigger proportion of scrap; as a result the surplus stocks of scrap were rapidly absorbed, and a delegation has consequently been sent to the United States to make further purchases. To some extent the marked expansion in the output of steel last month is probably still a reflection of the severe curtailment in December, when production must have been well below consumption. But there are reasons to believe that consumption has, in fact, tended to expand, partly, no doubt, as a result of the cut in prices on January 1st, for the bulk of the orders placed in recent weeks is reported to have been for early delivery. Moreover, the improvement in consumption appears to have been fairly widespread and cannot be ascribed solely to increased defence orders. The recovery in steel production has been accentuated by the severe limitation of imports. Between February, 1938, and the past month, the imports of iron and steel materials fell from 230,402 tons to 89,194 tons, whereas exports only declined from 156,730 tons to 137,520 tons.

GENERAL ENGINEERING

Activity in the engineering industry showed a slight increase between January and February, reflected in a fall in the proportion of insured persons unemployed in general engineering from 8.5 per cent. to 7.8 per cent. Apart from the steady increase in Government orders for defence purposes, which represent about 25 per cent. of the industry's total output, there were indications in the past few weeks of an expansion in commercial demand. It is possible, however, that commercial demand may suffer as a result of the renewed shock to business confidence administered by Germany's annexation of Czecho-Slovakia. Exports last month were slightly smaller than a year ago; they amounted to 34,999 tons (valued at £4,562,954) against 35,608 tons (valued at £4,564,331) in February, 1938. The fall in imports has been rather more marked; they were 9,173 tons (valued at £1,747,513) compared with 11,184 tons (valued at £1,891,559) a year earlier. So far as industrial relations are concerned, the employers rejected the unions' demand for higher wages at a conference held on February 28th.

ELECTRICAL ENGINEERING

The electrical engineering industry remains very busy, and the proportion of insured persons unemployed actually showed a slight decline between January and February. Exports of electrical

machinery last month were 1,918 tons (valued at £343,035), against 1,921 tons (valued at £321,723) in the corresponding month last year. The value of exports of electrical goods and apparatus, on the other hand, showed a decline from £1,101,202 in February, 1938, to £993,243 last month. The decline was due chiefly to the smaller shipments to South Africa, British India and Australia.

AUTOMOBILES

Production of both private cars and of commercial vehicles improved between December and January; compared with a year ago, the output of private cars was rather higher, but that of commercial vehicles amounted to only 9,691 against 10,637 in January, 1938. Both imports and exports of motor vehicles have been smaller in the first two months of the current year than in the corresponding period of 1938.

BUILDING

Although constructional activity seems to be tending slightly downwards, the extent of the fall has so far been very small. The proportion of insured persons unemployed last month was only 2.8 per cent. higher than a year ago in building, and was actually 1.5 per cent. smaller in public works contracting. The improvement in business confidence before Germany's latest move is reflected in the increase in the value of building plans passed by local authorities. The value of plans passed by 140 local authorities last month was 37.6 per cent. higher than in January and 7.1 per cent. higher than in the corresponding month last year. This is the first time since August, 1938, that the value of plans passed has exceeded that of the corresponding month a year earlier. The improvement is the more significant as these returns do not include direct Government contracts. Compared with February, 1938, the increase in the value of plans passed was substantial in the case of dwelling-houses and factories and workshops. Plans passed for other categories of building showed a decline.

CHEMICALS

A steady business has been transacted in most sections of the home chemical market during the past month. Demand for industrial chemicals showed some improvement, and contract deliveries were quite good towards the end of the month. The improvement reported from the wood distillation industry during the previous month was maintained. Trade in pharmaceutical and other fine chemicals was about normal for the period. Products in good demand were salicylic acid, quinine, bromides and iodides. Trade in coal tar products has been on a somewhat better scale, but conditions in this market are still far from satisfactory. There was an improvement in overseas trade in chemicals, drugs, dyes and colours in February as compared with the same month of 1938, the value of exports increasing by £18,773, and of imports by £204,022.

POTTERY

Some improvement has been shown in the pottery industry during the past month. The percentage of insured persons unemployed fell from 27.7 in January to 23.4 in February, due largely to greater activity in North Staffordshire; in spite of this recent improvement, however, unemployment remains high and there is much short time. Exports of sanitary ware showed a distinct increase between January and February, when they were larger than in February, 1938; exports of earthenware, on the other hand, continue to decline.

FOOTWEAR

Production continues to be concentrated on the cheaper types of footwear, but even in these lines there is a shortage of forward buying. Leather prices remain firm, but the slow turnover in the retail trade makes it difficult for manufacturers to secure corresponding advances in the prices of their products. Exports of leather boots and shoes showed some recovery in February from the very low levels of January but are still lower than a year ago, while imports, both of leather and of rubber footwear, are larger than a year ago.

COTTON

During February and the early part of March, there was a distinct improvement in the Lancashire cotton trade. Yarn and cloth sales have been of larger dimensions than at any time in the previous twelve months. Deliveries of raw cotton to spinners in February showed an increase of 22 per cent. compared with the previous month; sales of some spinners have been equal to two or three months' production and stocks at mills have been very appreciably

reduced. Some idle machinery has been restarted and spinning production is now estimated at 60 per cent. of capacity compared with 55 per cent. in January and 70 per cent. a year ago. The domestic demand has continued to expand; large contracts have been secured by makers of sheetings, pillow cloths, linings, overall cloths and furnishing fabrics and further Government orders have been placed, chiefly in heavy fabrics. The export trade remains irregular, and the prospects have not been improved by the latest events in Central Europe.

JUTE

Raw jute prices have fluctuated in the last month, but there has not been any further advance. Employment in Dundee continues to grow, as the Government orders for sandbags keep the trade busy; there are, however, very few orders on private account. Exports of sacks and bags are at a higher level than a year ago, and there has also been some improvement in exports of other piece-goods.

LINEN

Flax prices are firmly held at the high prices prevailing, but spinners find it difficult to secure prices for their yarns which allow a profit margin. Production remains at low levels, except in firms working with the finer counts; new Government contracts are welcome, and there has also been a marked improvement in exports of linen piece-goods to the United States, since the reduction of duties on January 1st.

RAYON

The price increases for all types of yarns announced last month have been received very favourably by the trade and business, aided by greater confidence, has developed in a more satisfactory manner. Stocks of fabrics are low and the outlook is satisfactory. Hosiery business has developed well and stabilisation of prices in the warp

knitting industry is likely to prove highly beneficial. Exports of piece-goods has shown some improvement in recent weeks, chiefly due to an expansion in trade with the Empire.

WOOL

All classes of wool sold readily at the recent sales in Coleman Street, and prices were well maintained. Government orders are largely responsible for the strong demand for medium and low greasy crossbreds, but the home trade in woollen piece-goods appears to be improving slowly; worsteds, however, are still neglected. Unemployment showed a small decline between January and February.

AGRICULTURE

After the very heavy rainfall in January, the mild and dry spell in February was welcomed by arable farmers, particularly on heavy lands. Progress has been made with spring cultivations, and autumn sown crops are generally in good condition. Potato prices have improved in recent weeks, although some farm holdings have been damaged by frosts, and can only be cleared at lower values. Lambing reports in England are generally satisfactory, but in some of the hill districts of Scotland, ewes have suffered from the wet and windy weather in January.

SHIPPING

The freight markets remain dull and rates are little changed compared with a month ago. The Economist index of tramp shipping freight rates showed a slight improvement in February, when it rose to 93.1 (1913=100), compared with 92.8 in January and 102.1 in February, 1938, but this rise must be largely ascribed to the greater confidence in the international situation that prevailed early in March, rather than to an expansion in the demand for tonnage. Consequently, the latest developments in Central Europe may have an adverse reaction on freight levels.

UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY*

Daily Averages of 1935=100

Period	Employment	Consumption of Power		Transport		Postal Receipts	Building Activity	Iron and Steel available for Home Consumption	Raw Cotton delivered to Mills	Foreign Trade			Bank Clearings		Complete Index	
		Coal	Electricity	Merchandise on Railways	Commercial Motors in Use					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—January	98	103	68	127	76	95	80	97	111	98	137	108	91	109	98	...
1930—January	94	98	68	115	70	88	84	84	88	88	108	107	89	112	93	...
1931—January	91	92	69	98	83	85	62	73	86	82	80	97	86	96	87	...
1932—January	90	90	71	88	86	94	57	59	94	84	82	94	86	86	84	...
1933—January	89	90	78	89	89	96	73	70	101	92	85	96	91	88	89	...
1934—January	97	97	88	100	95	97	88	93	98	100	92	98	95	96	96	...
1935—January	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	...
1936—January	105	104	112	106	105	104	107	125	108	110	101	102	104	103	106	...
1937—January	111	108	126	113	111	108	98	142	118	121	112	109	105	101	112	...
1938—January	110	...	131	95	...	110	90	112	89	107	98	105	100	95	...	...
1939—January	102	100	108	102	104	101	107	115	100	98	102	100	99	93	102	103
February	103	98	105	105	104	102	107	112	101	99	99	99	100	94	102	104
March	103	103	111	108	104	102	106	126	110	107	98	98	101	97	105	104
April	103	102	107	105	105	102	107	116	112	106	99	100	103	96	104	105
May	104	106	107	104	105	101	109	121	119	117	98	102	104	104	106	105
June	106	104	109	106	105	103	108	123	120	117	105	101	104	107	107	108
July	107	104	111	109	108	103	109	139	120	117	101	107	105	103	108	108
August	107	102	112	106	108	108	108	132	107	123	105	100	106	113	108	107
September	107	104	113	107	107	104	107	127	102	117	107	103	106	114	108	108
October	107	104	117	108	108	107	105	125	100	119	100	106	109	111	108	108
November	107	104	117	108	108	108	103	134	109	108	108	103	107	122	109	109
December	107	107	117	113	108	108	103	134	109	108	108	103	107	122	109	109
1937—January	109	107	116	110	109	107	102	124	111	103	104	101	108	105	107	109
February	109	108	116	107	109	110	102	118	110	102	111	107	108	115	109	110
March	109	110	125	108	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	102	103	109	110
May	110	115	123	113	111	108	100	130	143	118	117	114	107	108	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	96	140	131	122	113	109	102	100	111	111
August	112	107	125	119	111	108	95	160	115	130	111	113	106	99	113	111
September	112	110	124	117	111	108	95	157	106	133	113	106	106	99	113	111
October	112	105	124	112	112	108	96	158	107	146	112	110	104	98	113	111
November	111	107	128	110	113	108	95	167	106	145	104	109	104	100	112	110
December	109	105	131	114	113	111	96	173	97	110	108	108	101	99	111	109
1938—January	110	108	128	116	114	110	96	169	107	110	104	105	105	99	111	109
February	110	108	128	112	114	110	93	155	101	117	101	106	103	93	110	108
March	109	102	120	109	114	110	92	143	102	109	99	102	99	88	107	107
April	109	98	128	101	113	107	90	123	82	114	100	105	100	88	104	106
May	109	105	131	91	113	108	90	104	81	103	93	103	99	95	102	106
June	109	105	125	89	113	107	90	93	81	111	101	108	99	93	103	105
July	108	101	129	86	113	106	90	91	84	114	91	106	99	94	102	104
August	110	98	130	86	114	108	90	80	85	112	90	105	98	95	102	103
September	110	105	132	86	114	111	88	89	87	105	103	104	102	102	104	...
October	110	103	133	86	114	111	88	89	87	105	103	104	102	102	104	...
November	110	103	133	86	114	111	88	89	87	105	103	104	102	102	104	...
December	110	103	133	86	114	111	88	89	87	105	103	104	102	102	104	...
1939—January	110	105p	141p	...	118p	112	82p	100p	83p	94p	100p	105	104p	92p	108p	...
February	111	105p	137	...	118p	111	85p	117p	88p	92p	100p	103	104p	92p	108p	...

* For method of construction and earlier figures (1924-1938) see Supplement to The Economist of July 25, 1938. This Supplement is now out of print, but a record of the complete index was given in The Economist of November 5, 1938. p Revised. p Provisional. † Annual indices represent averages of monthly figures.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—Good rains have recently fallen in all States and have alleviated the parched conditions of the grazing and arable districts. Internal trade continues steady, according to a cable from the National Bank of Australasia, and industrial employment and building contracts are well maintained. The demand for wool remains satisfactory, and there have been considerable shipments of wheat flour to the Far East. Butter prices on the London market have been satisfactory in recent weeks, and it is hoped that the rains will prolong the butter export season. The estimate of this season's wheat production has been raised to 151 million bushels.

CANADA.—Business remains fairly stable, although the political uncertainties have a discouraging effect on private enterprise. The heavy industries are still short of orders, but most mines are very active. The value of building contracts awarded showed a further decline in January, and was considerably lower than in January, 1938. Newsprint production is still restricted, but lumbering operations in British Columbia are on a large scale.

SOUTH AFRICA.—There has been the normal seasonal recession in business activity, but retail and wholesale trade remain at a satisfactory level. Building contractors are well employed at Durban and Capetown, according to the Standard Bank of South Africa, but there has been a fall in the value of building plans passed in Johannesburg. The Transvaal mines produced 1,026,229 fine ounces of gold in December; production in 1938 amounted to 12,156,629 fine ounces, which considerably exceeded the previous record production of 11,740,891 fine ounces in 1937.

INDIA.—The Indian Budget, introduced on February 28th, provided for the doubling of the import duty on raw cotton. The increased yield, combined with the increases to be expected from the new Income Tax (Amendment) Bill, was estimated to bring total revenue for 1939-40 to Rs. 8,215 lakhs, while expenditure was estimated at Rs. 8,265 lakhs. Sir James Grigg stated that he hoped the increase in the duty on raw cotton would encourage the production in India of cotton of longer staples, the bulk of which is now imported, but meanwhile, the mills working on fine counts have found the price of their raw material increased, without any corresponding improvement in the market for their yarns. The piece-goods trade remains very quiet. Imports of merchandise in January, at Rs. 14,12 lakhs, showed a considerable decline when compared with the value of imports in January, 1938, but a slight improvement if compared with December; the value of exports, however, declined from Rs. 14,77 lakhs in December, 1938, to Rs. 13,72 lakhs in January.

EUROPE

FRANCE.—The latest evidence suggests that France has continued to make headway. The official index of industrial production (1928=100) showed a further slight rise, from 86 in December to 87 in January; production has thus recovered to the level of the corresponding month last year. There was an improvement in January in the chemical, textile, iron and steel, engineering, and building industries, and a slight decline in mining and a number of miscellaneous trades. Such evidence as is available for February and early March suggests that the improvement has been maintained. The number of unemployed in receipt of benefit, for example, fell from 420,009 on February 11th to 411,263 on March 4th. The value of imports rose from frs. 3,977 millions in January to frs. 4,518 millions in February, while the value of exports increased from frs. 2,819 millions to frs. 3,035 millions. Both imports and, especially, exports were appreciably higher than a year ago and, as a result of the relatively bigger rise in exports, the import surplus has fallen from frs. 1,977 millions to frs. 1,483 millions during this period.

GERMANY.—According to the latest statistics and reports business activity has been well maintained in the past month. The weekly index of business activity calculated by the German Institute for Business Research (1936=100) stood at 127.1 for the last week of February compared with 126.7 for the last week of January. The output of coal in the Ruhr district fell slightly during this period, from 425,000 metric tons per day to 411,200 tons per day. There was little change in car loadings, the figures being 160,100 per day in the last week of January and 160,900 per day in the last week of February. There was some increase in the volume of money in circulation, from Rm. 9,200 millions in the last week of January to Rm. 10,081 millions in the week ended March 4th. Short term interest rates showed a tendency to rise, but the yield on long term bonds remained practically unchanged. The prices of industrial securities showed a slight downward tendency. These statistics, however, do not reveal the severe strain from which the German economy is now suffering as a result of her Government's feverish armament drive.

BELGIUM.—Business conditions have shown little change since the beginning of the year. The number of partially unemployed declined between December and January, but those totally unemployed increased by about 5,000 to 175,000, compared with 146,678 in January, 1938. The number of building permits passed in the last three months of 1937 compares favourably with the corresponding period of 1937. Output of the iron and steel trades, while

below the level of a year ago, has risen considerably from the slack period in the summer.

SWEDEN.—The latest European developments led to a sharp fall in stock prices, but earlier in the month both the Stock Exchange and some industries were in a more hopeful mood. There was a better export demand for the products of the lumber and paper trades, and the iron and steel trades were also better employed in February, after a decline in activity in January. The building industry remains well employed and production in the ancillary trades, such as cement, bricks and some types of steel, continues at a satisfactory level. The number of registered unemployed in January was 27,500, compared with 21,700 in January, 1938; the increase is largely due to the decline in the activity of the export trades such as timber and pulp.

ESTONIA.—The trades working for export remain slack, although there was some improvement in the timber market during February. Unemployment showed the usual seasonal increase at the end of the year, but was in January only slightly higher than a year ago. Owing to the drift of labour to the towns, there is a noticeable shortage of workers in agriculture. The value of imports continued to decline in January, when it amounted to 6.9 million crowns, against 7.5 million crowns in January, 1938; the value of exports, on the other hand, was higher than a year ago, due partly to the high London prices for butter, bacon and eggs.

UNITED STATES OF AMERICA

Business activity in the United States has continued to mark time with only minor fluctuations. Thus, the Federal Reserve Board's index of industrial production, adjusted for seasonal variations, showed a further slight decline, from 84.9 (1929=100) in January to 83.2 in February. There appears to have been little change since, for the *New York Times* index of business activity stood at 89.5 for the week ended March 11th, compared with 89.4 for the corresponding week in February. Similarly, the rate of operations in the steel industry has varied only between 55 and 56 per cent. of the industry's capacity in recent weeks. A number of industries, including building, report improvements, but in others there has been some slight recession. Before Herr Hitler's coup in Czechoslovakia there was a marked revival of confidence reflected in the rise of prices of industrial securities. The latest cables suggest, however, that, while the outlook is not unpromising, the general level of business activity is unlikely to show very much change in the immediate future.

LATIN AMERICA

ARGENTINA.—Wheat sales continue at a very low level, and storage capacity is believed to be almost occupied. Exports continue at a low level and imports are being severely restricted, mainly at the expense of those countries which, in recent times, have sold to Argentina more than they have bought from her. Therefore, there has been a corresponding improvement in the position of Britain as supplier to the Argentine markets, but a considerable deterioration in the position of Italy and Japan. Argentine trade with United States is at a deadlock, with efforts being made to formulate a Trade Agreement. Immediate success attended the issue of two Argentine Government internal loans for a total of 150 million pesos.

URUGUAY.—The latest estimates indicate a substantial deterioration in the position of all crops. The exchange position remains difficult; import permits for British goods are being granted very sparingly, whereas importers of German goods are apparently being granted all the exchange they require.

BRAZIL.—The favourable trade balance at end-November, 1938, was only £281,000 (gold), against nearly £3,000,000 (gold) a year earlier. The new trade agreement with the United States provides for the resumption of Brazil of interest payments and amortisation on her American debt, in return for a loan of \$120 millions. This agreement may check the rapid expansion of German imports into the Brazilian market, which has seriously diminished the shares of both the United States and of the United Kingdom.

THE FAR EAST

Wholesale prices in Japan continue to increase in spite of the stability of prices in other countries. The consumption of raw cotton declined from more than 2,000,000 bales in the half-year ending on January, 1938, to 1,300,000 bales in the half-year ending last January, according to the latest statistics of the International Cotton Federation; the drop was largely due to the prohibition of the manufacture of all-cotton goods for the Japanese domestic market, though the decline in exports of cotton piece-goods was also a contributory cause. The Government will shortly introduce into the Diet a Bill providing for far-reaching changes in the internal trade in rice; all dealers in the rice trade are to be registered and the expansion of the farmers' co-operatives is to be limited; the whole trade is to be placed under the control of a Government corporation, which is to have powers to buy, sell and hold rice.

UNITED KINGDOM

(Population, mid 1938, 47,485,000; Area 95,030 sq. miles; 244,000 sq. kms.)

United Kingdom figures; otherwise Great Britain (G.B.)	Unit of Measurement	Monthly Average						1938												1939	
		1929	1932	1935	1936	1937	1938	Jan.	Feb.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.			
PRODUCTION																					
1. Industr. Prod. B. of Trade (a) (d)	1930 = 100	108.5	90.5	113.4	124.4	132.8	124.3			121.7	16.8	17.0	117.0	19.7	19.9	126.3	20.4	19.2			
2. Coal, G.B.	Mill. tons	21.4	17.4	18.6	19.0	20.1	19.0	20.8	20.1	17.1	16.8	17.0	18.5	2.195	2.346	2.675	2.704	2.334			
3. Electr., public supply, G.B.	Mill. kw. hrs.	858	1,020	1,464	1,685	1,908	2,031	2,382	2,144	1,612	1,656	1,679	1,872	2,195	2,346	2,675	2,704	2,334			
4. Pig iron	Thous. tons	632	298	535	641	708	561	761	693	548	508	443	430	469	462	446	501	516			
5. Steel ingots and castings	Thous. tons	803	439	822	975	1,082	866	1,081	1,058	776	683	659	755	855	860	858	812	971			
6. Buildg. plans passed (f) Dwelgls.	Thous. £'s	3,688	3,907	6,536	6,255	5,637	4,976	5,482	4,840	5,779	5,556	4,071	4,509	4,685	4,004	3,913	3,295	5,102			
7. 146 towns, G.B. ... (Other ...)	"	2,403	1,614	2,990	3,497	3,579	3,185	3,279	3,103	3,081	4,060	2,375	2,533	3,683	3,082	3,958	2,810	2,272			
8. Electrical loans sanctioned (p)	Thous. gross tons	2,236	1,606	1,800	1,326	1,699	1,517	...	...	...	...	...	...	...	...	...	1,958	2,530			
9. Shipbuilding: commenced (f)...	"	137	6	57	91	88	42	58	58	52	29	29	29	29	29	29	29	...			
10. " launched (f) ...	"	127	16	42	71	76	86	60	60	96	103	103	103	103	81	81	...	...			
11. " on hand, end yr. ...	"	1,560	225	743	964	1,125	780	...	...	1,037	...	...	...	...	...	...	...	...			
12. Automobiles: priv. cars (b) ...	Number	15,196	14,270	25,962	29,487	32,469	28,533	31,409	24,481	28,267	25,426	18,748	22,589	24,867	28,226	31,108	32,286	...			
13. " Com. vehicles (b) ...	"	4,705	5,123	7,681	8,967	9,843	8,764	10,637	8,802	8,313	8,906	7,071	7,362	8,328	8,270	7,650	9,691	...			
14. Cotton delivered to mills, G.B.	Mill. lbs. daily av.	5.27	4.47	4.72	5.17	5.43	5.42	4.81	3.73	3.57	3.70	3.50	3.92	4.21	4.21	4.25	4.4	...			
15. Rayon: Output ...	Thous. lbs.	4,742	6,043	10,314	12,110	12,901	11,694	12,510	12,190	11,110	11,640	9,310	11,780	11,750	12,410	10,388	11,815	...			
16. " Quantity excised ...	"	4,710	5,955	9,987	11,785	13,082	...	12,032	11,363	9,361	10,821	9,068	11,787	12,175	12,532	10,230	...	...			
17. Beer production ...	Thous. st. barrels	1,620	1,102	1,355	1,395	1,488	1,522	1,177	1,231	1,598	1,701	1,721	1,550	1,445	1,534	1,624	1,217	...			
18. Distilling: Drink (f) ...	Thou. proof galls.	914	721	720	760	785	757	573	573	579	741	741	741	1,033	1,033	1,033	...	...			
19. " Industrial alcohol (f) ...	"	1,205	1,834	3,172	3,595	4,369	4,363	4,359	4,359	4,284	4,351	4,351	4,351	4,445	4,445	4,445	...	...			
20. " Stocks, end year ...	Mill. proof galls.	151.6	141.5	136.1	137.4	144.5	154.4	145.7	147.1	152.4	152.4	152.4	151.7	152.1	153.1	154.4	155.3	...			
TRADE AND TRANSPORT																					
Domestic Trade																					
21. Rly. traf.: Merch. & Ivst. G.B.	Thous. tons	9,780	6,605	7,661	8,188	8,690	...	8,156	8,502	6,992	6,173	6,636	6,803	7,344	7,324	...	...	...			
22. " Coal and coke, G.B.	"	15,933	12,861	13,447	13,539	14,384	...	14,566	15,027	12,086	10,694	11,986	12,869	14,240	13,731	...	...	...			
23. Automob. : priv. cars in use, G.B.	Thousands	893.8	1018.4	1347.5	1498.8	1648.2	1799.6	1897.1	1604.2	1649.6	1921.5	1916.2	1920.4	1821.2	1819.4	1845.4	1722.8	1733.1			
24. " Com. vehicles in use, G.B.	"	314.7	356.2	413.7	437.0	459.8	474.2	464.3	466.1	471.9	473.3	471.2	471.7	485.5	483.9	489.5	481.7	489.5			
25. Postal traffic receipts, daily ...	Thous. £'s	133	133	140	147	154	155	151	146	144.9	146.0	141.5	154.7	157.2	153.9	209.8	153.5	148.9			
26. Retail trade, Gt. Brit.: Food...	Avg. daily sales	...	78	85	92	100	104	99	102	107	102	99	102	103	102	122	98	...			
27. " Other merchandise ...	"	...	83	90	95	100	100	98	76	105	109	77	89	103	102	138	98	...			
28. " Total ...	"	...	81	87	93	100	102	98	89	106	105	88	96	103	102	138	98	...			
29. Advtg. expndtre. on brand. gds.	1935 = 100	...	79.2	100	140.6	108.6	105.2	84.5	100.1	105.9	96.3	88.4	94.6	103.5	127.3	99.6	82.2	95.2			
Foreign Trade																					
30. Retained imports, value: Food	Thous. £'s	42,444	29,810	28,616	30,921	34,099	34,923	35,204	32,220	37,567	35,440	34,150	36,735	38,044	37,980	34,481	34,099	29,298			
31. " Raw materials ...	"	23,774	11,740	15,237	17,934	23,203	18,112	23,713	19,600	17,004	17,284	17,224	16,090	16,650	16,278	17,422	18,886	14,186			
32. " Manufactures ...	"	25,467	12,168	14,302	16,452	20,878	17,958	20,724	17,787	16,663	16,106	17,054	17,543	18,415	18,205	16,390	17,241	16,758			
33. " Total ...	"	92,589	54,221	58,473	65,710	79,492	71,569	80,155	68,211	71,515	68,394	69,087	70,763	73,589	72,914	69,343	70,744	60,744			
34. Volume: Food (a) (d) ...	Avg. of 1935	88.9	102.6	102.8	103.1	108.3	108.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			
35. " Raw materials (a) (d) ...	"	101.5	84.6	100	111.1	120.9	106.9	104.9	104.9	104.9	104.9	104.9	104.9	104.9	104.9	104.9	104.9	104.9			
36. " Manufactures (a) (d) ...	"	133.6	79.5	100	111.6	127.0	115.5	113.3	113.3	113.3	113.3	113.3	113.3	113.3	113.3	113.3	113.3	113.3			
37. " Total (a) (d) ...	"	108.9	82.2	100	107.2	113.8	108.7	104.4	104.4	104.4	104.4	104.4	104.4	104.4	104.4	104.4	104.4	104.4			
38. Domestic exports, value: Food	Thous. £'s	4,555	2,625	2,636	2,966	3,232	2,993	3,031	2,780	2,659	2,904	2,952	3,075	3,734	3,811	3,025	3,123	2,490			
39. " Raw materials ...	"	6,575	3,634	4,400	4,278	5,385	4,744	4,680	4,241	4,456	4,699	4,539	4,638	5,314	5,434	4,642	4,654	3,484			
40. " Manufactures ...	"	47,899	23,031	27,411	28,410	33,737	30,448	32,595	29,706	28,772	28,963	28,008	31,135	32,347	32,471	29,360	30,448	20,489			
41. " Total ...	"	60,779	30,419	35,493	36,727	43,466	39,240	41,183	37,529	36,894	37,470	36,331	39,809	42,560	42,923	39,099	39,480	38,052			
42. Volume: Food (a) (d) ...	Avg. of 1935	126.7	80.9	99	106	117.2	111.1	99.6	99.6	99.6	99.6	99.6	99.6	99.6	99.6	99.6	99.6	99.6			
43. " Raw materials (a) (d) ...	"	130.4	82.0	100	102.4	101.2	89.9	86.7	86.7	86.7	86.7	86.7	86.7	86.7	86.7	86.7	86.7	86.7			
44. " Manufactures (a) (d) ...	"	142.1	83.0	100	102.1	112.3	98.7	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0			
45. " Total (a) (d) ...	"	140.3	84.0	100	101.5	111.1	98.6	94.3	94.3	94.3	94.3	94.3	94.3	94.3	94.3	94.3	94.3	94.3			
46. Shipping: Tonnage entered ...	Thous. net tons	5,225	4,947	5,302	5,616	5,968	5,698	5,335	4,843	6,127	6,417	6,068	6,479	5,911	5,887	5,966	5,495	5,047			
47. " Tonnage cleared ...	"	5,723	4,620	4,477	4,735	5,116	4,907	4,478	4,146	5,535	5,238	5,337	5,475	5,382	5,491	5,698	4,646	4,137			
48. " Tonnage laid-up (A)	"	365	1,971	436	212	95	452	93	93	93	93	93	93	93	93	93	93	93			
49. Freight rates, Economist Index	1929 = 100	100	77.9	76.8	87.3	132.5	100.0	111.5	105.4	98.3	98.4	98.8	100.4	98.8	97.2	95.8	95.8	96.1			
50. Cable and wireless traffic receipts.	Corresponding month 1929 = 100	100	72.8	73.5	74.4	78.9	69.3	71.5	73.3	66.4	63.1	60.2	71.3	68.7	68.0	77.1	69.0	70.5			
EMPLOYMENT AND WAGES																					
51. Insured pers. employed G.B.	Thousands	10,220	9,348	10,377	10,912	11,496	11,405	11,309	11,324	11,333	11,413	11,447	11,429	12,294	12,258	11,452	11,284	11,419			
52. Insured pers. unemployed	"	1,212	2,766	1,958	1,684	1,413	1,791	1,827	1,810	1,803	1,773	1,759	1,799	1,781	1,828	1,831	2,039	1,897			
53. Per cent. unemployed	"	10.3	21.9	15.3	13.0	10.6	12.8	12.9	12.8	12.9	12.9	12.9	12.8	12.7	13.0	12.9	14.0	13.7			
54. Regist'd at Exchanges, all ages.	"	1,276	2,813	2,106	1,822	1,586	1,821	1,927	1,908	1,894	1,875	1,843	1,881	1,863	1,911	1,919	2,133	1,968			
55. " London	"	118	306	203	179	171	226	241	238	213	209	203	211	238	247	245	279	279			
56. " S.E. England	"	50	142	91	79	70	96	117	113	79	75	77	84	99	107	118	148	131			
57. " S.W.	"	69	157	114	94	83	84	98	96	77	72	70	76	69	68	63	81	109			
58. " Midlands	"	165	371	217	178	144	210	197	198	226	237	238	224	217	185	199	209	222			
59. " N.E. England	"	280	602	432	304	165	208	206	202	206	206	206	206	206	206	206	206	206			
60. " N.W.	"	285	562	439	374	304	398	382	391	436	384	395	416	381	398	377	408	377			
61. " Northern (c)	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...			
62. " Scotland	"	116	378	214	227	156	158	154	152	156	156	156	156	156	156	156	156	156			
63. " Wales	"	118	228	206	198	151	184	158	158	158	158	158	158	158	158	158	158	158			
64. " N. Ireland	"	38	68	70	67	71	91	99	97	92	102	84	82	81	83	87	95	90			
65. Industr. disputes, No. days lost	"	676	541	180	154	285	110	108	133	175	80	86	90	90	90	29	61	116			
66. Wage rates, Min. of Labour (d)	1929 = 100	100	96	96	99	103	107	107	107	107	107	107	107	107	107	107	107	107			
PRICES																					
Wholesale: "Economist" Indices																					
67. Cereals and meat...	1929 = 100	100	70.4	72.2	79.4	83.5	82.4	91.8	91.5	92.0	85.6	79.2	74.7	71.7	69.0	71.8	71.3	70.6			
68. Other foods	"	100	72.8																		

BRITISH DOMINIONS AND FOREIGN COUNTRIES OUTSIDE EUROPE
(Bi-Monthly Table)

MONTHLY AVERAGE

	Unit of Measurement	Monthly Average						1937												1938												1939																
		1929	1932	1935	1936	1937	1938	Dec.	Jan.	Feb.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.						
I. BRITISH COUNTRIES																																																
AUSTRALIA (Population 1936: 6,775,000; Area: 7,704,000 sq. kms.)																																																
Retained imports	Million £ Stg. (a)	10-687	4-257	6-359	7-171	8-357	8-865	9-257	9-101	9-019	8-605	9-629	7-868	8-202	8-768	7-674	8-233	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Domestic exports	Million £ A.	7-906	7-841	9-433	10-122	12-309	11-095	13-520	8-650	12-919	8-369	7-776	9-054	11-455	13-988	13-058	9-008	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Unemployed Trade Unions	Thousands	47-36	120-45	71-82	53-69	41-82	40-43	...	...	37-11	...	43-09	...	...	41-71	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Wholesale prices (Melbourne)	1929 = 100	100-0	78-3	81-5	85-6	91-9	92-2	87-7	88-8	88-7	95-7	95-0	93-2	95-1	94-2	93-7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Cost of living	1929 = 100	100-0	80-7	80-9	82-7	84-9	87-2	...	86-0	...	87-9	...	...	87-9	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Notes in circulation (net issue)	Million £ A.	42-2	45-0	46-1	47-0	49-6	48-8	49-6	45-5	44-9	44-8	45-4	45-1	44-0	44-0	48-8	44-1	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Commercial bank deposits	"	293-5	280-3	295-8	298-2	321-1	388-7	...	321-4	...	318-8	...	...	388-7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
CANADA (Population 1936: 11,028,000; Area: 9,542,000 sq. kms.)																																																
Business activity	1929 = 100	100-0	58-1	81-3	89-8	99-5	90-0	98-3	89-1	84-3	85-6	87-0	94-7	95-1	100-7	92-7	89-6	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Retained imports	Million Can. \$	108-25	37-72	45-86	52-93	67-41	56-45	53-13	49-72	46-95	55-82	57-03	56-41	63-91	62-30	44-29	43-75	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Domestic exports	"	102-25	46-69	69-86	85-96	93-75	79-73	78-49	72-23	60-98	78-72	86-54	108-54	102-30	73-42	94-08	70-45	81-77	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Applicants for work	Thousands	14-97	75-14	84-05	70-13	88-52	105-24	77-12	90-87	93-08	108-38	101-19	107-75	113-25	88-64	110-02	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Wholesale prices	1929 = 100	100-0	69-8	75-4	98-0	98-8	88-4	82-7	86-5	87-7	87-4	82-2	79-5	77-9	76-9	76-7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Cost of living	"	100-0	81-5	79-2	80-9	83-2	84-1	84-1	84-0	84-3	84-1	83-9	83-8	83-6	83-2	84-2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Price of industrial securities	"	100-0	23-7	54-4	74-3	77-4	64-4	62-8	26-1	26-3	26-1	25-2	25-4	27-4	26-3	26-3	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Notes in circulation	Million Can. \$	559	306	211	239	261	263	261	245	244	252	254	274	270	263	264	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Commercial bank deposits	"	2,163	1,844	2,127	2,230	2,282	2,394	2,282	2,231	2,249	2,294	2,322	2,358	2,405	2,405	2,394	2,367	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
IRE (Population 1935: 2,966,000; Area: 69,000 sq. kms.)																																																
Retained imports	Million £	5-021	3-453	3-087	3-282	3-624	3-420	3-328	3-584	3-301	2-963	3-044	3-418	4-046	3-704	3-271	3-092	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Domestic exports	"	3-852	2-089	1-635	1-831	1-853	1-990	1-640	1-500	1-396	2-180	2-292	2-384	2-583	2-326	2-031	1-868	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Applicants for work	Thousands	20-70	62-82	119-50	99-83	82-42	88-71	89-88	105-45	104-83	68-32	70-53	93-22	81-28	93-22	88-38	105-01	105-01	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Cost of living	1929 = 100	100-0	89-2	88-6	90-9	96-8	98-5	...	105-1	105-1	98-3	...	...	100-0	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Notes in circulation	Million £	14-2	13-4	14-3	15-1	15-7	16-9	15-7	15-7	15-5	15-5	15-6	15-6	16-3	16-6	16-9	16-2	16-0	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Currency Commission: F. Assets	"	7-1	7-4	8-3	9-1	9-7	10-9	9-7	9-3	9-5	9-5	9-6	9-6	10-3	10-6	10-9	10-2	10-0	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
INDIA (Population 1935: 370,500,000; Area: 4,684,000 sq. kms.)																																																
Retained imports	Sea-borne Million rupees	268-8	110-7	111-9	101-9	132-7	125-1	139-2	136-3	124-1	107-7	108-0	104-5	127-1	131-5	124-0	141-2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Domestic exports	"	208-6	112-6	130-9	150-5	168-7	135-2	133-1	153-8	121-7	142-1	138-0	151-8	141-7	149-1	142-7	137-2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Excess of imp. (+) or exp. (-) (b)	"	+ 6-1	- 2-1	- 7-6	+ 12-6	+ 4-8	...	- 0-9	- 1-7	- 0-4	+ 1-1	+ 1-2	+ 2-1	+ 3-3	- 3-2	- 0-7	+ 0-6	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Gold: Excess of imp. (+) or exp. (-) (b)	"	+ 14-9	- 62-0	- 36-0	- 28-6	- 13-6	...	- 15-7	- 14-7	- 19-5	- 29-8	- 19-5	- 2-7	- 21-2	- 6-4	+ 0-6	- 0-4	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Wholesale prices, Calcutta	1929 = 100	100-0	64-5	64-5	64-5	72-3	67-6	71-6	70-2	68-6	67-4	66-7	67-4	67-4	67-4	67-4	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Cost of living, Bombay	1933-34 = 100	1,794	1,748	1,715	1,899	1,854	1,880	1,854	1,833	1,859	1,715	1,713	1,757	1,772	1,790	1,880	1,889	1,889	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Notes in circn. (inc. Burma)	Million rupees	1,794	1,748	1,715	1,899	1,854	1,880	1,854	1,833	1,859	1,715	1,713	1,757	1,772	1,790	1,880	1,889	1,889	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
NEW ZEALAND (Population 1936: 1,573,000; Area: 268,000 sq. kms.)																																																

(a) Imports 1929 and 1930, F.A. (b) In and from April, 1937, excluding Burma. (c) Series modified from Oct., 1937, to exclude persons totally unfit for employment (d) Excluding Spain from 1936 and including Burma from April, 1937. (e) Annual figures, except for 1929, relate to end of year. League of Nations (f) Indices shown in last month of quarter to which they relate.

THE ECONOMIST TRADE SUPPLEMENT

RAW MATERIALS AND CRUDE FOODSTUFFS

GROUP I.—MONTHLY TABLE

Commodity	Unit of Measurement	Monthly Average												1937	1938												1939
		1929	1932	1933	1936	1937	1938	Dec.	Jan.	Feb.	July	Aug.	Sept.		Oct.	Nov.	Dec.	Jan.									
COAL																											
1. Production: Belgium	Th. metric tons	2,245	1,785	2,207	2,323	2,479	2,465	2,582	2,566	2,463	2,238	2,264	2,387	2,526	2,531	2,566	2,665										
2. " France	"	4,482	3,856	3,851	3,769	3,693	3,875	4,161	3,613	3,685	3,730	2,778	2,844	4,234	4,189	4,430	4,214										
3. " Germany: Coal(g)	"	13,620	8,728	11,918	13,190	15,376	15,515	16,242	15,839	15,176	15,763	15,885	15,061	15,638	15,670	15,713	16,289										
4. " Poland	"	3,853	2,403	2,395	2,479	3,018	3,175	3,338	3,379	3,074	3,151	3,139	3,347	3,505	3,391	3,444	4,119										
5. " U.K.	"	21,837	17,717	18,877	19,349	20,421	19,323	21,474	21,166	20,421	17,098	17,323	18,814	20,012	19,481	19,481	20,684										
6. " U.S.A.	"	46,026	27,183	31,578	36,761	37,176	29,282	37,126	32,346	27,705	23,615	28,172	32,106	35,443	35,577	36,923	36,731										
7. " All Principal countries	"	103,772	73,529	85,843	94,705	99,942	91,849	104,773	98,804	90,299	83,190	88,033	94,303	99,577	100,284	103,543	103,543										
8. Price: Av. Br. expt. price	sh. per ton	16.08	16.25	16.29	16.98	18.57	20.89	19.6	20.24	20.76	21.22	20.72	20.76	20.80	20.81	20.58	20.88										
OIL																											
9. Production: Dutch East Indies	Th. metric tons	437	424	507	536	605	...	627	603	569	606	597	607	637	627	653	...										
10. " Mexico	"	556	408	501	511	578	...	649	615	598	297	355	483	520	483	...	...										
11. " Iran (Ang.-Ir. Oil)	"	462	543	577	628	671	...	880	869	865	706	775	751	760	760	...	...										
12. " Roumania	"	403	612	696	723	596	...	575	562	512	564	556	634	550	534	...	...										
13. " U.S.A.	"	11,509	8,970	11,386	12,550	14,597	13,861	14,612	14,538	12,978	14,107	14,555	13,928	13,961	13,513	14,023	...										
14. " U.S.S.R.	"	1,206	1,791	1,989	2,193	2,307	...	2,414	2,421	2,440	2,497	2,470	2,497	2,470	2,414	...	...										
15. " All Principal countries	"	17,145	15,048	18,838	20,575	23,486	22,580	23,985	23,580	21,538	22,755	23,568	22,589	23,281	22,524	...	...										
16. Stocks: U.S.A. end year	million barrels	422	340	315	288	306	273	306	306	306	289	286	289	280	273	271	272										
17. Price: U.S.A. Mid-Cont. crude	cents per barrel	123.3	81.3	94.0	104.0	115.2	110.2	116.0	116.0	116.0	116.0	116.0	96.0	96.0	96.0	96.0	96.0										
CRUDE STEEL																											
18. Production: Belgium	Th. metric tons	342	232	252	265	322	190	266	229	181	185	182	187	207	219	219	219										
19. " France	"	808	470	523	559	680	514	676	623	562	436	419	487	512	534	576	610										
20. " Germany (f)	"	1,354	461	1,371	1,601	1,654	1,934	1,765	1,848	1,806	1,901	2,018	1,987	2,057	2,032	1,944	2,098										
21. " Japan, ex. castings	"	191	200	375	419	...	...	...	...	...	...	...	...	...	...	...	...										
22. " Luxembourg	"	225	163	153	165	209	120	160	132	111	110	113	...	...	142	138	138										
23. " U.K.	"	816	445	833	990	1,098	880	1,122	1,089	1,076	694	669	767	874	686	825	...										
24. " U.S.A., ex. castings	"	4,599	1,128	2,830	3,963	4,192	2,357	1,497	1,761	1,731	2,015	2,588	2,700	3,629	3,194	3,238	...										
25. " U.S.S.R.	"	407	490	1,034	1,362	1,485	...	1,575	1,490	1,434	1,552	1,462	1,464	...	...	...	...										
26. " All Principal countries	"	9,492	3,890	7,620	9,995	10,453	8,256	7,855	7,924	7,598	7,712	8,187	8,432	9,219	9,694	9,938	9,819										
27. Price: Pig iron Cleveland No. 3	£ per ton	3.53	2.91	3.39	3.70	4.67	5.45	5.30	5.45	5.45	5.45	5.45	5.45	5.45	5.45	5.45	4.95										
GOLD																											
28. Production: Union of S. Africa	Thous. fine ozs.	868	963	898	945	978	1,013	991	988	929	1,035	1,047	1,036	1,041	1,024	1,029	1,039										
29. " U.S.S.R.	"	90	163	375	450	417	...	...	...	...	...	...	...	...	...	...	...										
30. " Canada	"	161	254	274	340	341	390	362	361	341	421	412	410	411	410	434	...										
31. " U.S.A.	"	171	185	264	313	341	354	...	...	...	...	...	...	...	...	...	...										
32. " World	"	1,632	2,025	2,465	2,762	2,898	3,062	...	...	...	...	...	...	...	...	...	...										
33. Price: London, per fine ounce	sh.	84.9	118.0	142.1	140.3	140.7	132.54	139.8	139.6	139.75	141.18	142.51	144.95	146.66	147.73	148.92	149.25										
WHEAT																											
34. World shipments, yr. ended July	Mins. of bushels	77	67	43	42	50	45	44	48	46	46	53	45	56	48	44	472.6										
35. Stks.: World visible supplies (b)	"	370.1	408.2	338.5	275.1	229.5	262.4	340.4	326.5	306.1	262.4	333.6	423.5	441.8	446.5	490.8	472.6										
36. Average British import price	sh. per cwt.	10.33	6.15	6.02	7.53	9.28	7.73	9.78	9.76	9.58	7.76	7.14	6.50	5.89	5.61	5.10	4.92										
COTTON																											
37. Mill consumption: U.K. (a)	Thousands of actual bales	233	182	206	228	240	186	243	179	179	179	190	190	190	190	190	190										
38. " Japan (a)	"	231	231	311	304	347	247	344	261	261	261	212	212	212	212	212	212										
39. " U.S.A. (a)	"	586	404	443	527	598	514	682	445	445	445	564	564	564	564	564	564										
40. " World (a)	"	2,157	1,890	2,035	2,116	2,383	2,213	2,468	2,066	2,066	2,284	2,284	2,284	2,284	2,284	2,284	2,284										
41. Stks.: World Visible Supplies (b)	Thousand bales	2,736	7,682	3,983	4,297	3,875	7,069	7,968	8,773	8,665	7,069	6,958	8,501	9,516	9,543	9,390	9,754										
42. Price: Mid-American	d. per lb.	10.33	5.25	6.70	6.69	6.37	4.97	4.78	4.94	5.08	5.01	4.80	4.79	5.18	5.13	5.15	5.15										
SUGAR																											
43. Stks.: World visible supplies (c)	Thous. tons	4,047	7,018	4,166	2,983	2,816	3,601	6,084	5,821	6,097	4,711	4,226	3,601	4,129	5,051	6,064	6,064										
44. Av. Brit. import price, unrefined	sh. per cwt.	9.68	7.70	6.38	6.71	8.62	7.92	9.09	9.47	9.53	6.20	6.19	7.48	8.29	8.29	8.29	8.29										

GROUP II (b).—BI-MONTHLY TABLE

COPPER														
1. Production: Belgian Congo	Th. metric tons	11.3	4.5	12.1	8.1	12.0	12.0	...	11.0	11.0	15.9	12.3	...	...
2. (Smelter) Canada	"	6.1	8.0	14.7	15.7	17.2	22.5	24.0	23.8	21.2	22.5	22.4	22.8	22.4
3. " Chile	"	25.3	8.1	21.6	20.4	33.1	32.1	29.0	28.6	27.8	28.3	24.8	24.7	24.7
4. " N. Rhodesia	"	0.5	5.8	12.2	12.1	17.6	18.0	17.3	17.3	16.1	16.2	16.2	16.5	16.3
5. " U.S.A.	"	83.2	23.2	38.3	55.4	74.2	48.6	55.6	53.3	46.0	28.4	40.4	45.1	63.1
6. " World	"	157.9	77.6	115.6	128.5	176.2	146.6	180.8	151.5	138.9	115.9	132.4	167.9	180.1
7. Consumption: World	"	146.8	75.5	121.2	135.5	162.3	147.1	130.6	126.6	125.4	152.2	161.1	173.2	181.4
8. Stocks: U.K. (d)	"	6.6	37.3	88.7	47.0	32.0	33.4	32.0	33.0	31.2	37.3	37.6	35.5	30.5
9. (Refined) Stocks: World (d)	"	423.0	724.5	440.3	320.4	428.0	453.8	428.0	459.0	480.0	474.6	448.6	415.0	385.3
10. Price: Std. cash, London	£ per ton	75.48	31.71	31.91	38.48	54.53	44.8	39.98	41.43	39.64	39.79	40.63	41.90	45.69
LEAD														
11. Production: Australia	Th. metric tons	15.0	15.8	18.2	16.6	19.5	18.9	20.1	17.7	18.2	18.8	19.7	18.4	19.4
12. (Smelter) Canada	"	11.5	9.0	12.4	13.7	15.7	15.4	16.1	16.1	14.7	15.1	15.3	15.4	16.0
13. " Germany	"	8.2	7.9	10.2	11.0	13.5	15.9	15.4	15.4	14.7	15.5	16.3	15.6	15.2
14. " Mexico	"	19.2	10.9	15.1	17.5	18.7	17.9	18.8	19.1	15.6	22.2	21.2	19.6	17.6
15. " Spain	"	11.1	8.8	5.9	3.9	2.5	...	...	...	...	...	...	...	...
16. " U.S.A.	"	54.1	21.1	24.8	30.8	36.0	31.4	43.0	34.2	30.4	35.4	21.5	22.7	25.4
17. " World	"	145.0	95.9	114.2	122.3	140.9	134.8	147.7	121.0	125.3	135.2	129.4	138.1	133.5
18. Stocks: U.K. (d)	"	2.0	20.6	7.1	6.2	7.0	11.2	7.0	8.2	9.1	9.9	9.6	9.6	11.2
19. " U.S.A. (d)	"	49.7	159.4	201.6	155.9	117.0	...	117.0	80.8	98.1	140.6	129.6	119.2	108.7
20. Price: "Soft Foreign," London	£ per ton	23.25	11.00	14.25	17.60	23.33	15.26	15.9	16.17	15.40	14.91	14.37	15.25	16.18
SPELTTER														
21. Production: Holland	Th. metric tons	2.1	1.9	1.1	1.3	2.8	18.6	22.1	22.1	20.1	18.4	18.1	17.9	18.6
22. (Smelter) Belgium	"	16.5	8.0	15.3	16.8	18.8	...	...	...	...	...	...	...	...
23. " Canada	"	6.5	6.5	11.3	11.4	12.3	...	...	...	...	...	...	...	...
24. " Mexico	"	1.3	2.5	2.7	2.7	3.5	14.3	17.1	17.1	15.5	16.3	17.0	13.4	15.0
25. " Germany	"	8.5	3.5	10.4	11.5	13.8	16.2	14.5	14.5	14.1	16.5	16.5	16.4	16.9
26. " Poland	"	14.1	7.0	7.1	7.9	9.2	9.9	8.8	8.8	7.9	9.0	9.0	9.1	9.5
27. " Australia	"	4.4	4.5	5.7	6.0	5.9	...	...	...	...	...	...	...	...
28. " U.K.	"	4.9	2.3	5.4	6.5	5.2	10.6	11.3	11.4	10.3	11.5	9.7	9.5	9.5
29. " U.S.A.	"	47.3	15.7	31.8	37.4	42.1	34.5	44.2	44.2	37.3	27.5	29.3	29.3	33.3
30. " World	"	121.5	65.3	111.2	123.1	136.3	131.4	142.9	142.9	128.9	123.5	123.8	118.6	123.5
31. Stocks: U.K. (d)	"	4.5	13.2	8.2	17.2	20.2	25.6	20.2	20.2	20.3	22.2	23.4	27.0	24.3